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IAEA Resolutions Urge DPRK Inspections

SK2109063694 Seoul KBS-1 Radio Network in Korean 0600 GMT 21 Sep 94

[Text] According to sources attending the annual session of the International Atomic Energy Agency [IAEA], the IAEA member states have drafted two resolutions urging North Korea to accept special inspections on undeclared nuclear facilities and to prevent international smuggling of nuclear materials. The sources reported the delegates of the 121 member states will adopt the two resolutions on 23 September, the last day of the five-day annual session.

The IAEA resolution denounces North Korea for not observing the IAEA and UN Security Council decisions demanding that North Korea accept inspections of all of its nuclear facilities. The resolution also demands that North Korea allow IAEA inspectors make on-the-spot inspections in accordance with the safeguard provision of the Nuclear Nonproliferation Treaty, of which North Korea is a member state.

Members 'Support All the Moves'

OW2109021494 Tokyo KYODO in English 0144 GMT 21 Sep 94

[Text] Vienna, Sept. 20 KYODO—Delegates at the International Atomic Energy Agency's (IAEA) annual assembly have drafted two resolutions urging North Korea to accept checks of its two undeclared nuclear facilities, while seeking ways to block nuclear smuggling, conference sources said Tuesday [20 September].

Both resolutions are expected to be adopted at Friday's final session of the five-day general assembly of the 121-nation UN watchdog agency, designed to prevent proliferation of nuclear arms, the sources said.

The draft resolution condemns North Korea for uncompliance with a string of UN Security Council and IAEA resolutions that have urged the Asian country to accept unimpeded inspection of all of its suspected nuclear arms facilities.

It demands that North Korea allow IAEA inspectors to conduct on-the-spot inspections of all the suspect facilities, an obligation under the "safeguards agreement" of the Nuclear Nonproliferation Treaty to which Pyongyang is a signatory, the sources said.

The draft urges North Korea to allow IAEA special inspection by its monitors of two undeclared facilities at a Yongbyon nuclear complex, some 90 kilometers north of Pyongyang.

North Korea has been adamant in refusing any access to the two facilities which it described as mere conventional military installations off-limits to foreigners.

The IAEA has said it suspects the two sites are nuclear waste dumps of which checkups are crucial to gauge the extent of the alleged past extraction of weapons-grade plutonium.

The draft resolution also calls on North Korea to return to the fold of the IAEA, from which it unilaterally declared its withdrawal June 13.

The draft notes that IAEA members support all the moves pushing for North Korean acceptance of a full implementation of its safeguards obligations, including ongoing high-level talks between Pyongyang and Washington.

Meanwhile, the resolution concerning smuggling of plutonium and enriched uranium from Russia and former Soviet republics urges the IAEA Secretariat to propose a package of measures to boost physical protection of nuclear material in storage or being transported.

The urgent issue of nuclear trafficking was placed high on the agenda of IAEA general conference at the behest of the European Union after German authorities seized four caches of plutonium, enriched uranium and tritium from Russia and made several arrests, since May.

The German authorities attributed the origin of the confiscated batches of weapons-grade nuclear material to Russia, while Russia rejected the charges as groundless.

The draft requests IAEA Director General Hans Blix to put forward his recommendations on how to prevent stolen nuclear material from falling into the hands of terrorists or nations seeking to go nuclear.

Blix told the IAEA general assembly Monday that preventing thefts and diversion of nuclear materials "at the sources" is crucial.

The draft also urges Blix to gather and analyze further intelligence on nuclear smuggling in conjunction with a team of nuclear experts to be assembled soon.

It asks Blix to report his findings to the next regular IAEA Board of Governors' meeting, scheduled for December.

Prospects for APEC Trade Liberalization Viewed

OW2109071794 Tokyo KYODO in English 0610 GMT 21 Sep 94

[By Siti Rahil]

[Text] Singapore, Sept. 21 KYODO—Japan, the next chairman of the Asia-Pacific Economic Cooperation (APEC) forum, may end up with the burden of pursuing APEC's over-ambitious goal of free trade in the region after the curtain falls at the APEC ministerial meeting and leaders' summit in Indonesia in November, APEC sources say.

In a bid to ensure the gathering will be a success, Indonesian President Suharto, the current APEC chairman, plans to muster support among APEC leaders for rapid trade and investment liberalization at their second informal summit in Bogor near Jakarta on Nov. 15.

A statement to be issued by the APEC leaders after the summit is expected to pledge support for the creation of free trade among APEC members by the year 2010, the sources said.

In reality, however, Indonesia is more concerned about staging a grand political show to boost Suharto's image than trade and investment liberalization, they said.

As a result, Japan may end up having to shoulder the burden of resolving the nitty gritties of regional liberalization when it takes over from Indonesia as APEC chairman at the end of the show, Japanese officials said.

This would spell trouble for Japan where trade liberalization has long been a sticky issue. Japan is concerned that it will have to bear the burden of substantiating APEC's grandiose trade liberalization plan, which is to include even sensitive sectors like agriculture and services.

Japanese officials are also concerned that any stormy confrontation over trade liberalization during the APEC gathering in November may complicate and strain the Japanese Diet's effort to ratify the Uruguay Round treaty during that time of the year.

Japanese politicians only managed to get Japan's rice farmers to agree to the Uruguay Round world trade liberalization treaty after promising them that they would still be cushioned by a high tariff wall for several years.

There are already signs that a clash over APEC trade liberalization during the gathering in indonesia is looming.

The United States, which has been lobbying hard for free trade among APEC members, has two representatives pulling the strings of the APEC trade liberalization marionette ahead of the APEC meetings in November.

Fred Bergsten, head of the Institute for International Economics, a Washington think tank, who is said to be close to U.S. President Bill Clinton's top officials, heads the eminent persons group, an APEC advisory panel of leading economists.

The group recently advocated in a report that APEC members achieve free trade by the year 2020.

Sandra Kristoff, Clinton's special assistant on APEC, is Washington's chief lobbyist for APEC trade liberalization. She has been working closely with Suharto's special assistant on APEC, Bintoro Tjokroamidjojo [spelling of name as received], in drafting a statement to be issued by the leaders at the end of their summit in Bogor.

APEC sources said the leaders' statement contains nothing substantial aside from the proposal for free trade in APEC by the year 2010.

Even this deadline is borrowed from the Pacific Business Forum, APEC's advisory panel from the business sector, which is proposing in a report that APEC achieve free trade by that year.

The other proposals in the leaders' statement include promoting human resource development, small and medium enterprises and infrastructural development.

But while these proposals are rich in intention, helping the less developed economies in APEC, they are poor in substance because there are no concrete details on implementation.

Meanwhile, the private sector's forum report, which has already been finalized and will be presented to Suharto on Oct. 15, is not really the work of the business executives, many of whom have been so busy that they had to skip some of the three forum meetings held this year.

Rather, the report has been drafted almost in its entirety by a Singaporean economist and eminent persons group member, Lee Tsao Yuan [spelling of name as received], of the Institute of Policy Studies, a Singapore government-run think tank, which has been entrusted to coordinate the forum. Many of its ideas echo the group report.

The 2010 deadline to be adopted by the leaders in their statement may be a little fanciful. Members of the forum have conceded publicly that they came up with the faster deadline of 2010 because they do not have to grapple with harsh political realities the way governments have to.

One of the most controversial proposals in the group report is its call for APEC members to liberalize trade on a negotiated, reciprocal basis and extend its benefits to outside countries also in a reciprocal way.

Critics say this amounts to trade discrimination, which runs counter to the principles of free and fair trade promoted by the Geneva-based world trade watchdog, the General Agreements on Tariffs and Trade (GATT).

While denying that it is in favor of a free trade area, the recommendations in the group report amount to establishing a free trade area except for naming it so, Hadi Soesastro [spelling of name as received], a well-known Indonesian economist, wrote in the JAKARTA POST recently.

"Until its completion in 2020, trade discrimination will be applied among APEC members," he said, adding the reciprocal rule for extension to nonmembers is "not only GATT-inconsistent but also GATT illegal." Singapore, which has nothing to lose from trade liberalization in APEC as it is already one of the world's most open trading regimes, has come out openly in support of the APEC free trade proposals, which are being pushed strongly by Washington.

Singaporean Prime Minister Goh Chok Tong said on a recent trip to Australia that Singapore would like to see APEC leaders set an early deadline, probably 2010, for APEC to achieve free trade in the area when they meet in Bogor this year. But on the other hand, Malaysian Prime

Minister Mahathir Mohamed, who has long opposed the institutionalization of APEC and boycotted APEC's first informal leaders' summit in the U.S. city of Seattle last year, has expressed strong opposition. He told reporters after meeting Suharto in Jakarta last week that APEC was showing signs of an emerging trade bloc and threatened that Malaysia may quit the grouping.

Other members of the six-nation Association of Southeast Asian Nations (ASEAN), such as Thailand and the Philippines, are also not really committed to trade and investment liberalization as they have their own fledgling industries to protect. But they have tried to appear supportive of such liberalization in the traditional spirit of ASEAN solidarity.

Indonesia, its prestige at stake as the host of this year's APEC meetings, is anxious to turn the leaders' summit in Bogor into a historic event and mark it as a turning point for APEC by getting the leaders to make a strong declaration for free trade within APEC.

The Indonesian leader has already been in the spotlight receiving the group report in a formal ceremony from Bergsten at the end of August. Such formality will be repeated when the forum presents its report to Suharto in mid-October. However, reflecting Indonesia's lack of serious intent, Suharto's special assistant on APEC, Bintoro, has been assuring senior officials from other APEC member economies that there is no compulsion for any member to liberalize trade. He said each one is free to toe his own line even after pledging support for free trade in APEC during this year's meeting.

ATPC Ministerial Conference Ends on 20 Sep

BK2109063894 Bangkok BANGKOK POST in English 21 Sep 94 p 26

[Text] Brazil, the world's largest tin producer, has finally agreed to join the Association of Tin Producing Countries (ATPC) and come under the group's tin-export controls.

Brazil's "decision in principle", confirmed at an ATPC ministerial conference that ended in Bangkok yesterday, came after more than five years of repeated calls by the association, which once alleged that Brazil was contributing to the global tin industry woes.

The ATPC is now welcoming Brazil's entry, scheduled for 1995, saying it will significantly strengthen the association's effort to reduce huge tin stocks and shore up chronically low tin prices. With Brazil as a member, the ATPC will account for 82 per cent of the world's total production, compared with the current 65.7 per cent achieved by China's entry to the association last April. Brazil's decision came as ATPC ministers agreed on a 7.55 per cent cutback in tin export quota among its eight member states in 1995 from the current year's level of 98,000 tons.

The combined 1995 export quota is 90,600 tons. Individual country quotas, with the current year's quota in brackets are: Australia 7,800 tons (6,500), Bolivia 16,600 (16,000), Indonesia 30,500 (30,500), Malaysia 8,200 (14,000), Nigeria 1,900 (1,900), Thailand 4,500 (8,000) and Zaire 1,100 tons (1,100). China's export quota for its first year as a member will be 20,000 tons.

While it is still not subject to ATPC quota allocation, Brazil has agreed to limit its production next year to 34,336 tons and restrict its export tonnage to 28,336 tons, Thai delegates said. With the new Supply Rationalisation Period, operating for the ninth year, the ATPC said it expected to deplete world stocks by about 7,000 tons by the end of 1995. The association estimated tin stocks at the end of June at 48,600 tons, noting that there was a small re-accumulation of stocks over the past year despite continued declining production in a number of member countries.

The overall reduction in total supply by ATPC members has been replaced by increased supply from other producers and the US Defence Logistics Agency (DLA). Demand is sluggish due to the slow pace of economic recovery among major consumer countries.

The DLA's tin sales in the first half of 1994 were 3,335 tons. Though the amount may appear small, it has contributed to the buildup in stocks, the ATPC said.

In a statement, the association urged the US Government to agree on a "reasonable programme of DLA tin stockpile releases to assist producers' effort in bringing normalcy to the tin market." However, the ATPC expects the market to improve somewhat during the second half of 1994, and with the continued decline in production in some member countries, there could be a reduction of some 5,600 tons in the stock overhang by the year end.

The ATPC also renewed its call for the world's four other tin-producing countries—Vietnam, Burma, Peru and Zimbabwe—to join. Members believe these countries will join over the next few years.

Pricha Attawiphak, director-general of the Department of Mineral Resources, maintained that though Thailand's role as a major tin producer and exporter was diminishing, the country had not yet decided to withdraw from the ATPC. This year, he estimates that Thailand will produce about 4,000 tons of tin, which is short of the projected demand of 5,000 tons. He said Thailand would be able to resume a high level of tin production only when tin prices recovered to the level of M$17-20 (165-194 baht) per kilogramme from about M$13 (126 baht) at present.

ASEAN Senior Economic Officials Hold Meeting

Agree To Recommend AFTA Reforms

BK2009102794 Bangkok BANGKOK POST in English 20 Sep 94 p 18

[Report by Somphon Thaphanachai and Wichit Sirithawiphon]

[Text] Chiang Mai—ASEAN officials agreed yesterday to recommend to their ministers reforms for the ASEAN Free Trade Area that will expand and accelerate the programme and at the same time allow members to weaken it by withdrawing selected products.

The officials, preparing for the ASEAN economic ministers' annual meeting on Thursday and Friday, agreed yesterday to recommend shortening by five years the programme for achieving 0-5 percent import tariffs. This would mean a maximum of 10 years for the phased reduction of tariffs, ending on January 1, 2003 instead of 2008.

Products on this "normal track" of the AFTA programme would be required to have maximum tariffs of 20 percent after the fifth year—January 1, 1998—if their original tariffs were above 20 percent. Tariffs starting below 20 percent would be required to fall to the 0-5 percent AFTA rate after seven years—by January 1, 2000.

The "fast-track" programme of 14 products for which tariffs are to be cut faster, would also be accelerated from the present seven to 10 years to five to seven years.

Products which now attract more than 20 percent duty will now have their tariffs cut to 0-5 percent by January 1, 2000. Those charged at a lower rate, will reach 0-5 percent by January 1, 1998.

The officials decided against recommending a five-year program for the entire "fast track". Last week, Thai Deputy Prime Minister Suphachai Phanitchaphak said he would prefer a single five-year target.

They also agreed to add unprocessed agricultural products to the programme, but they have left it to the ministers to decide whether the whole sector should be brought into the programme, with some products subsequently withdrawn—as most of the group's trade or commerce ministries recommend—or whether to accept the preference of ASEAN's agriculture ministers for only some agricultural products to be included.

At the same time, the officials recommended that ASEAN devise new rules that would allow members to withdraw products from the free trade area. They suggested a working group be set up to draft the rules, which would then be submitted to the next senior officials' meeting in December.

Kroekkrai Chiraphaet, director-general of the Business Economics Department and head of the Thai delegation, said the rules might be modelled on clauses of the General Agreement on Tariffs and Trade (GATT) that allow countries to raise tariffs even though the tariffs were previously "bound".

If ASEAN agrees on GATT-style rules, then countries withdrawing products from free trade would have to give advanced notice, and negotiate with other members and might have to compensate those countries for loss of trade.

In ASEAN's case the withdrawal process would be complicated because the programme contains both "fast-track" and "normal track" programmes. Withdrawal could therefore mean moving a product from one track to another or taking the product out of AFTA altogether.

The decision to draft new rules for withdrawal underscores the unique process ASEAN has adopted for setting up its free trade area. Nicknamed Agree First—Talk After by some economists and trade officials, the AFTA was originally created under a short agreement, with many details left to be filled in afterwards.

This contrasts with the lengthy and detailed legal agreements that were negotiated before the North American Free Trade Agreement and European Single Market could get under way.

Mr Kroekkrai said yesterday that senior officials asked the ASEAN secretariat to examine whether the original agreements specified how products could be withdrawn. The reply was that the agreements did not say how this could happen, so the officials are now recommending that new rules be drafted.

He said that at present, if anyone wanted to withdraw products from the programme other ASEAN members were unable to take action except to complain.

"When you are friends, it isn't easy to criticise," he said.

So far Malaysia is the only country to have told other ASEAN members that it wants to withdraw products from AFTA—wood and tobacco.

No other countries had stated any intention so far, Mr Kroekkrai said.

Transport Projects Meet Obstacles

BK2009094994 Bangkok THE NATION in English 20 Sep 94 p B1

[Text] Chiang Mai—The Asean Senior Economic Officials Meeting (SEOM) yesterday agreed to implement proposed regional transportation projects, but couldn't agree on funding, due mainly to objections from Singapore.

According to an official at the meeting, Singapore strongly opposed a working committee proposal that the projects require investments from third countries or the Afta (Asean Free Trade Area) Fund, and insisted that the private sector should take a leading role.

The projects include development of a variety of air, water and land transport links among members of the Association of Southeast Asian Nations (Asean).

"The senior officials will have to discuss the matter at upcoming meetings and submit the results to the Asean economic ministers for approval," said the official, who asked not to be named.

The director general of the Business Economics Department, Kroekkrai Chiraphaet, who was also at the meeting, said the working committee still needs to discuss how to harmonize the projects with the unique characteristics of each country's policies and legal systems, and how to integrate the layout of the different systems for maximum efficiency.

Kroekkrai also said senior officials at the meeting were unable to finalize a framework for cooperation in the protection of intellectual property rights, because the proposals presented were not sufficiently detailed.

No Accord on APEC Trade Stand

BK2009095494 Bangkok BANGKOK POST in English 20 Sep 94 p 6

[Report by Somphon Thaphanachai, Wichit Sirithawiphon, and Peter Mytri Ungphakon]

[Text] Senior ASEAN officials, preparing for the economic ministers' annual meeting later this week, were unable yesterday to agree a common ASEAN position on Asia-Pacific trade liberalisation, and on how to liberalise services within the six.

They still intend that ASEAN should work out a common position on the proposal for the Asia Pacific Economic Cooperation (APEC) group to liberalise trade in the next century before APEC leaders meet in Indonesia in November, however.

And they agreed to continue discussing an ASEAN services agreement today and to submit a framework agreement on liberalising trade in services when the economic ministers meet on Thursday and Friday.

The discussion of APEC trade liberalisation is said to have taken up much of yesterday afternoon's agenda. ASEAN officials were trying to devise a common response to the recommendation of an "eminent persons' group" set up by APEC for APEC to liberalise Asia-Pacific trade between the years 2000 and 2020.

At the end of talks yesterday evening, Kroekkrai Chiraphaet, director-general of the Business Economics Department and head of the Thai delegation, said none of the officials was able to specify their country's position. He said they expressed their personal opinions, but that they were determined to establish a common position. The economic officials also decided to meet before all important APEC meetings and to attend those APEC meetings as well.

The decision appears to be a signal of dissatisfaction among officials from ASEAN's trade, commerce and other economic ministries about their participation in APEC meetings.

In some cases it may be a feeling that the economic ministries had themselves been negligent, but comments have been heard from more than one agency complaining that APEC issues have been dominated by Foreign Ministries when the substance of APEC deliberations is mainly economic.

According [to] one Thai official Singapore is one of the keenest ASEAN countries in favour of APEC adopting the "eminent persons' group's" proposal on trade liberalisation.

The official said Thailand also considered the proposal unobjectionable since it envisaged the process starting in the year 2000 and another 20 years to complete, and since its implementation would be voluntary among APEC members.

APEC now groups the ASEAN six, the United States, Canada, Mexico, Japan, China, Hong Kong, Taiwan, Japan, South Korea, Papua New Guinea, Australia and New Zealand.

Within ASEAN, the positions of Indonesia and Malaysia were unclear on the eminent persons' group's report the Thai official said, but China's present reaction was negative.

Mr Kroekkrai told reporters that ASEAN did not have to have a common position on everything APEC does.

The officials' task of preparing for ASEAN cooperation on services appears to be facing some difficulty. A draft of basic principles for cooperation or regional liberalisation exists, but according [to] one official Singapore had serious reservations.

The official said Singaporean delegates warned that bringing in too many services sectors under a plan that was too ambitious would loosen the cohesiveness of the economic officials' and ministers' structure.

The implication is that once such services as transport, telecommunications, banking, insurance and tourism are tackled, new specialist committees with representatives from different ministries will have to be set up to handle each of these services.

That could fragment the economic cooperation structure and take ASEAN back to the old system of numerous specialist committees that was scrapped two years ago.

Yesterday's talks also concentrated on transport services. Officials said there was some hard talking on these. According to Mr Kroekkrai the officials agreed that four principles should be observed: that cooperation should conform with member government's policies; that it should involve the reform of rules and regulations;

that it should improve services; but that it should not compete with the private sector.

The lack of conclusion on services at this stage is not considered serious, however because the target is to draft an agreement for the ASEAN summit in December next year.

A similar situation exists in the proposal to set common standards and principles for protecting intellectual property rights in ASEAN. The officials agreed to recommend that their ministers ask for a more detailed proposal. This would be submitted by next June.

Earlier yesterday, the officials agreed to speed up the ASEAN Free Trade Agreement programme, but also to devise rules allowing members to withdraw products from the programme, perhaps with compensation to other countries for loss of trade, and perhaps with commitments on how long the withdrawal should last.

These proposals will be considered by the AFTA [ASEAN Free Trade Area] Council which meets tomorrow and the ASEAN economic ministers who meet on Thursday and Friday.

Private Sector Coordination Viewed

BK2109050894 Bangkok BANGKOK POST in English 21 Sep 94 p 18

[Text] Chiang Mai—Senior ASEAN economic officials, preparing for their ministers' meeting later this week concluded yesterday that governments and private sector organisations in ASEAN are not coordinating well enough with one another.

At the end of the officials' two days of deliberations yesterday, Kroekkrai Chiraphaet, director-general of the Business Economics Department, who chaired the meetings, said decisions reached by ASEAN ministers were not always conveyed effectively to the private sector.

While ASEAN's governments are now coordinating their activities more effectively through the recently-beefed up ASEAN secretariat, the private sector's coordination is not so effective since the ASEAN Chambers of Commerce and Industry do not have a similar secretariat.

He said private sector bodies complained of a shortage of funds, but one official, speaking on condition of anonymity, said the ASEAN private sector associations might not consider ASEAN to be important enough to set up their own bureaucracy.

The senior officials were briefed by a representative of the ASEAN Chambers of Commerce and Industry yesterday morning. Other topics covered yesterday included: continued discussion of proposals for the creation of Asia-Pacific free trade by the year 2020, how to make the ASEAN secretariat more effective, possible trade links between AFTA and other regional arrangements, and possible agendas for the ASEAN ministers' discussions with Japanese and Vietnamese counterparts over the weekend.

On Monday the officials agreed to recommend speeding up the ASEAN Free Trade Area programme, cutting it from 15 years to 10, and discussed regional cooperation in services and intellectual property rights.

These will now be submitted for the ministers' approval. Issues concerning AFTA will be discussed by the AFTA Council, chaired by Finance Minister Tharin Nimmanhemin, which meets today. The council's decisions will then be submitted to the ASEAN economic ministers' annual meeting tomorrow and Friday, along with the other issues.

The ASEAN officials were still unable to draft a common approach for the group on proposed liberalisation in the Asia Pacific Economic Cooperation (APEC) group by the year 2020.

Mr Kroekkrai said agreement on all topics in a wideranging proposal might not be possible. But the officials did identify as issues that ministers might highlight: the proposal for APEC free trade, other proposals for making trade in APEC easier to conduct and the need for senior economic officials to join their foreign ministry counterparts at all APEC meetings.

Some reports from Japan say Indonesian President Suharto is proposing APEC liberalisation by 2010 instead of 2020 as recommended by an APEC group of "eminent persons".

Mr Kroekkrai said the Indonesian delegation in Chiang Mai was unaware of Mr Suharto's proposal so it was not discussed here.

"We still don't know whether the timetable of 2020 is acceptable to us, let alone 2010," Mr Kroekkrai said.

The senior officials also agreed to modify the present ASEAN Industrial Joint Venture programme in order to make it more appropriate for the situation which AFTA created.

They agreed to abolish the four years' protection that joint venture countries could retain against imports from ASEAN countries not participating in the joint ventures because this was considered to conflict with the AFTA programme which frowns on discrimination among ASEAN members. They also agreed to extend the present requirement for at least 40 percent of the share holding in supported joint ventures to be held by ASEAN individuals or corporations.

Products manufactured by joint ventures enjoy import duties within ASEAN that are only 10 percent of normal rates. Senior officials were unable yesterday to decide whether the "normal" rates should be those charged imports in general, or the lower rates of trade within AFTA.

Plans for linking AFTA with other regional groups remain vague, partly because several ASEAN countries are reluctant. A Thai official said that senior officials concluded that if links were to be forged, for example with the Australia-New Zealand Closer Economic Relations agreement or central European free trade pact this should be done through ASEAN as a whole and not through individual members.

'Sensitive' Products Issue Viewed

BK2109053094 Bangkok BANGKOK POST in English 21 Sep 94 p 15

[Text] Chiang Mai—If agricultural products are brought as planned into the ASEAN Free Trade Area (AFTA) programme, liberalisation could be slower than planned for the programme and the number of goods covered could be small.

Senior officials preparing for the ASEAN economic ministers' meeting here later this week have not ruled out a slower reduction in tariff for non-processed agricultural goods. The 15-year maximum for other goods is now likely to be cut to 10 years.

Individual countries are still preparing lists of "sensitive" agricultural products they may want left outside the programme, but one list that emerged from a recent meeting of agricultural officials would appear to treat practically every agricultural product as sensitive.

Thai officials say they are still hoping for other countries' sensitive list to be small enough to allow Thailand to include all agricultural products. But if other countries' lists prove too long, Thailand may be prompted to keep some products out of the programme.

At present Thailand has tentatively designated six products as potentially sensitive: tea, coffee, palm oil, cut flowers, potatoes and coconut.

Thailand would like to export more rice to other ASEAN countries. Indonesia has a policy of protection and subsidy aimed at self-sufficiency and only imports in years of shortage. The Philippines and Malaysia have similar programmes, although Malaysia no longer aims for total self-sufficiency.

Nevertheless, rice is a sensitive issue in Malaysia and total liberalisation could prove to be too controversial, Asmat Kamaludin, secretary-general of the Malaysian Ministry of International Trade and Industry, told Business Post yesterday.

"I don't think we're ready to go that far," he said. But in general, the fact that ASEAN members are willing to consider freer trade in agriculture among themselves is a good sign, he added.

According to some sources, the officials based their suggestion on the General Agreement on Tariffs and Trade (GATT) that also has separate agreements for liberalisation of agricultural products as an outcome of the Uruguay Round of world trade talks.

Business Economics Department director-general Kroekkrai Chiraphaet, as chairman of the ASEAN senior economic officials' meeting said the officials agreed that unprocessed agricultural products should be included in AFTA. But whether AFTA will include only some products to the list first, as recommended by agriculture officials, or whether AFTA will include all in the list and sanction a working group to review the list regularly, are two alternatives.

A Thai source from the Agriculture and Cooperatives Ministry said that eventually, each ASEAN member must submit their sensitive lists to the ASEAN Secretariat by December and allow the working group to hash out the details. Thailand has reserved the six sensitive products—palm oil, coffee, tea, cut flowers, potatoes and coconuts—but these could be included in the tariff reduction plan anytime, assuming other members reach consensus to include all products on the list, according to the source.

Indonesia, the Philippines and Malaysia are reported to maintain rice and grain on their sensitive lists. Their lists include 14 products which could be split to nearly 1,000 items. The source said most items on Thailand's list were the politically sensitive products—coffee, palm oil and tea. But the reservation of cut flowers is to protect flower planters in northern Thailand.

A Singapore official said his country also wanted to see the expansion of AFTA to cover unprocessed products even though his country is not an agriculture producer.

Officials' Meeting Ends 20 Sep

BK2109053294 Bangkok THE NATION in English 21 Sep 94 pp A1, 4

[Text] Chiang Mai—As Asean senior officials debated how best to accelerate the Asean Free Trade Area (Afta), Indonesia and Malaysia clashed yesterday over the regional grouping's position on the proposed conversion of the Asia-Pacific Economic Cooperation (Apec) into a free trade zone.

While progress was expected to be made in the next two days on Afta, Asean's own free trade zone, through the mechanism of allowing the private sector a greater role, there appears to be no end in sight to the debate over how Asean will deal with free trade in the wider context of Apec.

Indonesia is to host the Apec summit in November, at which the group's panel of experts' recommendation for open-regionalism under a free trade area by the year 2020 will be discussed. Indonesian President Suharto is reportedly in favour of the recommendation .

Yesterday, though, Malaysia blocked a common Asean decision on the issue, arguing in favour of its own version of an East Asian Economic Caucus (EAEC). Both issues are certain to be highlights of this week's meeting of Asean economic ministers in Chiang Mai. The Afta Council will meet today and the Asean Economic Ministers tomorrow.

Yesterday, Kroekkrai Chiraphaet, director general of the Business Economic Department and chairman of Asean senior officials, said a proposal has been made to accelerate and expand the role of the private sector in Afta in order to enhance real economic cooperation.

Asean is creating a division under the Asean Secretariat to deal with the private sector, which is being pushed to set up its own secretariat. But the funding for the private sector remains a problem, he admitted.

The agenda of the Afta Council today is to include Singapore's proposal urging the Asean Six to cut the content of local materials used in the intra-Asean textile and jewelry industries down from 40 per cent.

According to an informed source, Asean senior economic officials will today submit the Singaporean proposal to the Afta Council, a body commissioning Asean to become a free trade area in ten years' time. The session will be chaired by Finance Minister Tharin Nimmanhemin.

The officials agreed at its Senior Economic Official Meeting (SEOM), which ended yesterday, to push ahead with the Singapore's suggestion that the six Asean countries should cut their local content requirements in the jewelry and textile industry.

At present, Asean countries, comprising of Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand, require that the intra-Asean industries must use at least 40 per cent of materials made regionally.

The source said the current local content was too high as the Asean industries depend a great deal on imported materials. By reducing the local contents, production costs would be cut immensely.

Also on the agenda:

—shorten the tariff-cutting schedule of the Asean Free Trade Area (Afta) programme from 15 to 10 years
—establish an Afta Secretariat Office
—link Afta with the eastern European free trade area, the European Union and the North American Free Trade Agreement
—set a criterion for withdrawing products included in the inclusion list to the exclusion list.

Asean officials are also in favour that any change must be compensated by a product group substitution of equal value.

Meanwhile, Tharin said Thailand has yet to decide what to do with the petrochemical industry. The Commerce and Finance ministries differ on this point.

The Commerce Ministry wants to change the sector's status from the normal track tariff cut process, but the Finance Ministry disagrees.

"If we move out (of this tariff cut schedule), we take a step backward, because the current schedule would help the industry develop faster. Thailand should also keep its word," Tharin said.

Agenda for ASEAN Meeting in Thailand Discussed

OW2109121794 Tokyo KYODO in English 0906 GMT 21 Sep 94

[By Panadda Lertlum-ampai]

[Text] Chiangmai, Thailand, Sept. 21 KYODO—The economic ministers of the six member states of the Association of Southeast Asian Nations (ASEAN) are to hold the 26th ASEAN economic ministerial meeting Thursday [22 September] and Friday in this northern Thailand city.

Thai Prime Minister Chuan Likphai will open the two-day annual meeting with a keynote speech Thursday.

Right after the opening ceremony, the ministers, senior officials, and the secretary general of the group and his staff are to tackle numerous problems awaiting for their deliberations and decision making.

Top on the agenda will be the speeding up of the intra-grouping trade liberalization, pressed by a fast pace of economic cooperation in other parts of the world and the imminent world trade liberalization prompted by the conclusion of the Uruguay Round of trade talks last year.

The senior officials are likely to give their formal approval to a new 10-year timetable on an import tariffs reduction program for products originated in fellow member countries.

This new timetable will replace an original scheme stipulating a timeframe of 15 years from January 1, 1993, adopted by an announcement to establish the ASEAN Free Trade Area (AFTA) in the 1992 ASEAN summit in Singapore.

The ministers' approval on this agenda shall be brief, since they should have already deliberated on the matter Wednesday when they met under another capacity, the 5th AFTA council meeting.

Another major AFTA-related issue needing the ministers' approval is the inclusion of unprocessed agriculture products, a sector excluded from the 1992 agreement, into the tariffs reduction scheme.

On other significant items on the agenda, the ministers are expected to decide on the establishment of two newly introduced means of cooperation among members of the group, on trade in service and intellectual property rights protection.

Both need a framework agreement to define purposes and procedural arrangement.

The ministers are then expected to spend a good amount of their time deliberating on a latest proposal concerning the Asia-Pacific Economic Cooperation (APEC) forum.

The proposal, concluded by the expert representatives of the 18 economies in the APEC forum, the eminent persons group, called for APEC to become an open region for full trade liberalization by the year 2020.

The expert group urged the upcoming APEC summit, set for November in Indonesia, to announce the scheme to be started by the year 2000.

The proposal also embodied an idea of establishing trade facilitation mechanism within APEC.

The senior officials, during their preparatory meeting earlier this week, could not reach a unified position on the proposal, particularly on trade liberalization.

The ministers have several other agendas to look into before they call a close to the two-day meeting. Notably among them are the forms of ASEAN's linkage to other trade groups, modifications of codes and rules toward a more open manner for joint ASEAN industrial and investment projects, and other more technical issues under their domain of responsibility.

Over the weekend, the ministers will have more tasks to attend to. Saturday morning will be devoted to the third meeting between all the ASEAN economic ministers with Japan's Minister of International Trade and Industry Ryutaro Hashimoto.

They are also to discuss the international environment on trade and economic cooperation. Two specific issues, the conclusion of the Uruguay Round trade talks and APEC's movement, are on top of the agenda.

They will also take up the recent appreciation of the yen and its impact on the ASEAN region.

Economic relations between Japan and the ASEAN nations on the bilateral level, the group level and the third party level, are also to be discussed.

In the afternoon, Hashimoto will hold a series of bilateral talks with ministers from several of the ASEAN member nations.

The ASEAN economic ministers will hold talks among themselves again on Sunday morning on the newly introduced policy exchange mechanism idea.

The idea suggests that member nations of ASEAN coordinate their industrial policies more closely in order to avoid promoting competing activities and reduce pressure for protectionism.

The Sunday afternoon session will see the first meeting between the ASEAN economic ministers with Vietnam.

Vietnam's trade and tourism minister Le Van Triet was invited to attend the postministerial meeting in order to familiarize Vietnam, a potential seventh member of ASEAN, with one of the group's major annual activities.

No set topics have been prepared, but senior officials contemplate that the Vietnamese minister will get a comprehensive vision of ASEAN's current economic cooperation activities and their future direction, particularly on the scheme of trade liberalization in the region.

The ASEAN side, meanwhile, will hear from Vietnam the level of preparation on its economic grounds for eventual joining the group and the problems in which Vietnam needs assistance.

Japan

Ambassador to Washington on Framework Talks

OW2009234594 Tokyo KYODO in English 2332 GMT 20 Sep 94

[Text] Washington, Sept. 20 KYODO—The United States and Japan stepped up the long drawn-out trade negotiations Tuesday [20 September] but senior officials from both countries gave little indication that a breakthrough will emerge prior to the U.S.-imposed Sept. 30 deadline for sanctions.

Japanese Ambassador to Washington Takakazu Kuriyama said Tokyo is eager to settle but emphasized that concessions are necessary from both sides.

"I don't think that one side is going to score full marks, with concessions coming entirely from the other side," Kuriyama told a group of Japanese reporters at the Japanese Embassy.

U.S. Commerce Secretary Ron Brown gave no sign that the U.S. will give up its demand that a deal must translate into increased sales in the Japanese market.

"We have indicated from the beginning that we need results and they need to be measurable and monitorable," Brown said at a separate meeting with reporters Tuesday.

Informed sources said U.S. President Bill Clinton met his key economic and foreign policy advisers Tuesday to mull over possible U.S. trade actions against Japan, but they could not confirm whether any decision was made.

Kuriyama and Brown outlined their positions as trade negotiators from Japan and the U.S. huddled in a close-door session prior to top-level talks between Foreign Minister Yohei Kono and U.S. Trade Representative Mickey Kantor scheduled for Wednesday afternoon.

"We are meeting today to make preparations," Japan's Deputy Foreign Minister Sadayuki Hayashi told reporters as he arrived at the Office of the U.S. Trade Representative for the meeting with Deputy U.S. Trade Representative Charlene Barshefsky.

The meeting Tuesday between Hayashi and Barshefsky—the two lead negotiators in charge of Japanese Government procurement issues—followed two days of deliberations between lower-level officials.

The dispute over market-access to Japanese Government purchases of medical and telecommunications equipment is part of wider trade negotiations under way between the two countries.

Also at issue is a longstanding U.S. complaint that Japan unfairly restricts the access of U.S. and other foreign firms to the Japanese auto and auto parts markets, flat glass, and the Japanese insurance market.

Japan, after negotiating inconclusively with the U.S. on these trade issues over the past 14 months, now faces a U.S.-imposed deadline to work out a settlement by Sept. 30 or face possible U.S. trade sanctions.

While officials in Tokyo and Washington seem to have abandoned any hope of a comprehensive agreement on the auto sector, Japanese officials have indicated that the two sides are closer to a deal over insurance and Japanese Government procurement.

Japanese diplomatic sources indicated Tuesday that the two countries may strike a partial deal on the auto sector, saying Washington appears to favor the idea if there is assurance that Tokyo will not shelve remaining issues once a partial agreement is sealed.

'Source' Says Talks May Continue Over Weekend

OW2109110794 Tokyo YOMIURI SHIMBUN in Japanese 20 Sep 94 Evening Edition p 2

[By reporter Masakazu Nosaka]

[Text] Washington, 19 Sep—On 19 September, a Japanese Government source in Washington disclosed the possibility that Foreign Minister Yohei Kono and U.S. Trade Representative Mickey Kantor may fail to reach an accord in their negotiations over the government procurement sector under the bilateral framework trade talks by 21 September and that their talks may drag on over the weekend.

Kono is scheduled to hold talks with Kantor on 21 September and with President Bill Clinton on 22 September.

Reports on Kono's Official Visit to U.S.

Leaves for Washington

OW2109025994 Tokyo KYODO in English 0250 GMT 21 Sep 94

[Text] Tokyo, Sept. 21 KYODO—Foreign Minister Yohei Kono left Japan Wednesday [21 September] for the United States to hold bilateral trade talks and attend the UN General assembly.

Kono will arrive in Washington and meet U.S. Trade Representative Mickey Kantor on Wednesday afternoon in a last-ditch effort to break the stalemate in trade negotiations before the U.S.-imposed sanctions Sept. 30.

Japan and the U.S. initiated the framework talks in July 1993 in an aim to correct the trade imbalance between the two countries. However the two countries are locked in a disagreement over the interpretation of "objective criteria" to measure the openness of Japanese market to foreign goods.

Kono said in an interview that while Japan is making every effort to reach an accord, it will not change its position that numerical targets are unacceptable.

On Thursday, the Japanese foreign minister will meet U.S. President Bill Clinton for about an hour to discuss the trade talks and other international affairs, Foreign Ministry officials said.

Since Japanese Prime Minister Tomiichi Murayama met Clinton in Naples, Italy, during the Group of Seven (G-7) summit meeting and assured Washington that his government's policies will be consistent with its predecessors, Kono and Clinton will seek ways to promote bilateral coordination on specific matters, the officials said.

Pointing out that building mutual trust with Clinton is important, Kono said he wants to explain in specifics the policy-decisions and actions Murayama's government has made since July.

Kono said he will commend the U.S. Government for its efforts to solve the Haitian crisis in a diplomatic way and discuss with Clinton ways to promote bilateral cooperation on global problems and in the Asia-Pacific.

Kono will also reiterate the importance of North Korea coming clean on its alleged nuclear arms development and the necessity of ongoing consultation with Japan and South Korea over this issue.

Later that day, a 30-minute meeting is scheduled with U.S. Secretary of State Warren Christopher, during which Kono will address North Korea's nuclear program as well as assistance for Haiti and Russia, the officials said.

On Friday Kono will meet U.S. Treasury Secretary Lloyd Bentsen. He will then head to Philadelphia before flying to New York.

On Sept. 27 Kono will deliver a speech to the UN General Assembly in New York and hold separate bilateral talks with his counterparts from Russia, China, Ukraine, Poland, Israel, Iran, New Zealand and the European Union (EU).

He will also meet foreign ministers of the Association of Southeast Asian Nations (ASEAN) as well as the 12-member Rio Group and representatives of African countries, the officials said.

If the Diet approves, Kono will attend the foreign ministerial meeting of the so-called "G-7 Plus One" talks with Russia scheduled for Sept. 29, they said.

Kono's UN speech, which is expected to be about 20 minutes long, will spell out Japan's wish to become a permanent member of the UN Security Council.

In a UN General Assembly meeting last year, then Prime Minister Morihiro Hosokawa called for an expansion of the Security Council but stopped short of staking Japan's bid. He merely said Japan is "prepared to do all it can to discharge its responsibilities" in a reformed United Nations.

Kono will remind the world body that Japan cannot take part in missions involving the use of force due to constitutional restraints.

Article 9 of Japan's post-World War II Constitution forbids the threat or use of force as a means of settling international disputes.

Kono will also repeat Japan's call for deleting the "enemy-clause" of the UN Charter, which regards Japan and other losers of World War II as former enemies.

Finally, he will explain Japan's commitment to actively tackling global problems such as environmental pollution, poverty, the population explosion, aids and drugs.

Kono Arrives in Washington

OW2109151694 Tokyo KYODO in English 1502 GMT 21 Sep 94

[Text] Washington, Sept. 21 KYODO—Japan's Foreign Minister Yohei Kono arrived here Wednesday [21 September] for crucial trade talks with U.S. Trade Representative Mickey Kantor in an effort to seek a breakthrough in the stalled "framework" trade talks.

The meeting between Kono and Kantor, who also met in Los Angeles earlier this month, was scheduled to take place later Wednesday.

Japan faces a Sept. 30 deadline imposed by the United States to settle trade disputes over autos and auto parts, Japanese Government procurement in medical and telecommunications equipment, flat glass and insurance.

Ahead of his talks with Kono, Kantor told reporters, "We have made no decision" on possible sanctions.

"We're going to have a thorough and detailed discussion this afternoon," said Kantor. "We will have disccusions in the next couple of days."

The U.S. warned it may impose trade sanctions against Japan if there is no settlement.

Kono, concurrently deputy prime minister, is also scheduled to meet with President Bill Clinton and Secretary of State Warren Christopher on Thursday.

A meeting with Treasury Secretary Lloyd Bentsen is tentatively set for Friday.

Kono was scheduled to travel to New York over the weekend to attend the annual UN General Assembly session.

Japanese Deputy Foreign Minister for Economic Affairs Sadayuki Hayashi and deputy U.S. Trade Representative Charlene Barshefsky resumed subcabinet-level talks ahead of Kono's arrival in Washington.

Barshefsky told reporters before the talks with Hayashi, "We're making a slow progress" on the bilateral trade talks.

Kono said at the airport he believes not only Japan but the United States intend to bring the framework trade talks to a conclusion.

"I hope to see the settlement at an early date if possible," he said. "Both Japan and the U.S. need to make efforts to narrow the gap regarding 'objective criteria' (to gauge foreign access to Japanese markets)."

Hoping To Meet Kantor Again

OW2109122294 Tokyo SANKEI SHIMBUN in Japanese 20 Sep 94 Morning Edition p 9

[Text] Speaking about the government procurement sector talks in the Japan-U.S. economic consultations, an official of the Ministry of Foreign Affairs on 19 September said, "No conclusion will be arrived at in the initial meetings." Thus he predicted the talks in Washington on 21 September between Foreign Minister Yohei Kono and U.S. Trade Representative Mickey Kantor as well as the talks on the morning of 22 September between Foreign Minister Kono and President Clinton will do no more than show a general direction for the talks, and will not arrive at an agreement.

Now the ministry is hoping to have another Kono-Kantor meeting scheduled for 22 September so that an agreement can be reached at it.

The reason why it is expected to be difficult for the first ministerial talks to reach an agreement is because a large gap remains in the positions of the two countries—the United States not yielding on the position of demanding assurance on "increasing the trend" [in government procurements] and Japan continuing to reject the demand.

Meanwhile, the government on 19 September held a meeting of cabinet ministers concerned with the Japan-U.S. economic consultations, and affirmed following positions in dealing with the forthcoming ministerial talks: 1) it will reject the setting of numerical targets as objective criteria to measure the degree of the market openness, but will seek to find a compromise as far as possible; 2) it will not insist on agreeing on all three priority areas—government procurements, insurance, and autos and auto parts—in one package; and 3) if the tax reform guideline enabling the continuation of the current tax reductions is finalized before the ministerial talks open, this will be explained to the U.S. delegation to gain its understanding.

MITI Chief Leaves for ASEAN Meeting in Thailand

OW2109023194 Tokyo KYODO in English 0212 GMT 21 Sep 94

[Text] Tokyo, Sept. 21 KYODO—International Trade and Industry Minister Ryutaro Hashimoto left for Thailand on Wednesday [21 September] morning to attend a Japan-ASEAN meeting of economic and trade ministers. The annual meeting, to be held Saturday in the northern Thai city of Chiangmai, will deal with a wide range of global and regional economic issues, ranging from Japan's industrial cooperation with the Association of Southeast Asian Nations (ASEAN) to a world trade framework in the post-Uruguay Round era, International Trade and Industry Ministry (MITI) officials said.

Japanese cooperation will focus on ways to foster ASEAN parts makers, the officials said, noting the ASEAN countries now mainly use Japanese-made parts imports for product assembly, a practice which aggravates the region's chronic trade deficit with Japan.

"Japan's corporate investment in the ASEAN area has been made actively while MITI is taking various steps to foster supporting industries in the region," Hashimoto told reporters one day ahead of his departure.

Hashimoto will propose that economic ties be deepened among Japan, the ASEAN countries, and Cambodia, Laos and Vietnam, the trade officials said.

"Japan will explore what it can do for ASEAN's neighboring countries, especially the Indochina region," Hashimoto said.

Other major issues are expected to include a review of the Japanese and ASEAN economic situation and the strong yen's impact on ASEAN economies, particularly yen loans from Japan.

Hashimoto and economic ministers from the six ASEAN countries will also take up Japan-ASEAN bilateral issues, including ASEAN's demand for freer Japanese markets.

Concerning Japan's economic assistance in the region, the conference will discuss expansion of such aid to include investment promotion and commercial-based assistance in addition to official development assistance (ODA), the trade officials said.

The officials said Japan will be urged to clarify Malaysia's proposal for the East Asia Economic Caucus (EAEC) scheme.

Malaysian Prime Minister Mahathir Mohamed floated the idea in late 1990 but the United States has been opposed to the proposed group, claiming the EAEC could serve as a regional economic bloc excluding the U.S.

Recently, Japanese Prime Minister Tomiichi Murayama gave no clear-cut commitment to the idea during his meeting with Mahathir, saying, "I will give it consideration."

Trade Minister Hashimoto also said, "I have yet to clarify my thoughts on the matter."

The EAEC is intended to include China, Hong Kong, Japan, South Korea, Taiwan and the ASEAN countries.

The Japan-ASEAN trade meeting will be the third of its kind, following those in the Philippines in 1992 and in Singapore in 1993.

In Singapore, Japan issued an economic report containing prescriptions intended to ensure sustained economic recovery in the ASEAN region.

Based on this report, called "prospects and problems toward the industrialization of ASEAN," Japan proposed assistance including aid for ASEAN's supporting industries, cooperation on intellectual property rights, and advice on product standardization and quality control.

The coming meeting will review progress in these steps, the officials said.

The Japan-ASEAN meeting will be preceded by the 26th conference of ASEAN economic ministers Thursday and Friday.

Both the ASEAN trade conference and the Japan-ASEAN meeting will discuss modification of the ASEAN Free Trade Area (AFTA).

The AFTA scheme, introduced in an ASEAN summit meeting in 1992, originally called for a gradual tariff reduction on trade between the ASEAN members to a range between zero and 5 percent over 15 years from January 1993.

But several of the ASEAN countries, notably Thailand, the Philippines and Indonesia, failed to agree on the timetable.

The coming ASEAN conference will propose shortening the program's duration to 10 years, according to senior ASEAN economic officials preparing the meeting in Chiangmai.

The senior officials also said they have agreed that unprocessed agricultural products, originally excluded from the group's trade liberalization program, will be included.

Before proceeding to Chiangmai on Thursday evening, Hashimoto will visit Bangkok where he will present Japan's economic policy toward ASEAN in a speech to Japanese and Thai businessmen Thursday afternoon.

During the afternoon, he will also pay a courtesy call on Thai Prime Minister Chuan Likphai.

After Saturday's Japan-ASEAN trade meeting, Hashimoto will hold bilateral meetings with trade and economic ministers of ASEAN.

U.S. To Ask Japan for $1 Billion in Aid to DPRK

OW2109101594 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Sep Morning Edition p 1

[By Tsuyoshi Sugawara]

[Text] Washington, 20 Sep— It has been revealed that the U.S. Government intends to ask Japan to provide about $1 billion to share the approximately $4-billion cost for giving technological assistance to the DPRK (North Korea) in [converting graphite-moderated reactors] into light-water reactors.

A senior U.S. State Department official, who is scheduled to attend the U.S.-DPRK vice ministerial talks to be resumed in Geneva on 23 September, granted an interview to reporters of NIHON KEIZAI SHIMBUN and other papers, and stated that "it is natural for Japan to play a leading role" in bearing the cost. Because the United States expects Japan and South Korea to share more than one-half of the total cost—over $2 billion, it is believed that the United States will almost certainly ask Japan to provide approximately $1 billion. The official also expressed the hope that Japan would provide technological assistance for the conversion into light-water reactors.

On the issue of sharing the cost, the senior State Department official stated that "Japan has to consider its participation (in the sharing of the cost) to a certain extent." The senior official strongly alluded that Japan would be urged to provide approximately $1 billion, stating "it is adequate to express that Japan will become a major contributor to North Korea as a neighbor of North Korea."

DA Head Cautions DFAA Official on Base Remarks

OW2009145094 Naha OKINAWA TIMES in Japanese 20 Sep 94 Evening Edition p 1

[Text] Commenting on the controversial remarks by Noboru Hoshuyama, director general of the Defense Facilities Administration Agency [DFAA], at a news conference held on 20 September after a cabinet meeting, Tokuichiro Tamazawa, Defense Agency [DA] director general, said: "The understanding and cooperation of residents living near military bases are crucial in implementing the military base administration, and I have cautioned Hoshuyama to give full consideration to the residents' feelings when he speaks about military bases in the future." At the news conference, Tamazawa also said: "I have expressed my intention to press ahead with military base administration aimed at streamlining and merging military bases. I intend to guide and support the administration while keeping an eye on how the administration will be implemented."

At the news conference, Tamazawa disclosed that at a meeting with U.S. Defense Secretary Perry held during his visit to Washington, he asked that U.S. Forces in Japan take full safety measures when they conduct training from the standpoint of achieving the goal of the Japan-U.S. security arrangements. In response, the U.S. defense secretary promised full consideration for the safety measures.

STA To Help Nations Dismantle Old Nuke Reactors

OW2109105894 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Sep 94 Morning Edition p 5

[Text] The Science and Technology Agency [STA] will provide assistance in projects to dismantle and scrap old nuclear reactors in nuclear power stations of the former USSR republics and East European countries.

The agency's first project is to draw up plans for dismantling and scraping of a reactor in Slovakia's Bofniche [name as transliterated] Nuclear Power Station which has been left unoperated for the past 15 years. Japan will be the first country to go so far as to help the former Soviet and East European countries dismantle their nuclear power stations. So far, Japan's assistance on the nuclear power stations has been limited to that of providing technical guidance on designing and operating of the power plants, but the country has decided it should also assist in disposing of the old nuclear power plants in view of grave safety problems that arise from leaving the un-used nuclear power plants unattended.

The reactor that is waiting to be scrapped is an A-1 reactor (with an outpout of 144,000 kw), which is one of the five nuclear reactors in the Bofniche Power Station. This is a special heavy-water gas-cooled reactor completed in 1972. It has been out of operation since 1977 following an accident of its fuel rods being damaged.

The Slovak Government has decided that the nuclear reactor which has been abandoned for so long cannot be repaired and used again. Consequently, the government has come to request the STA to help it dismantle and scrap the reactor, and the STA has decided to comply with the request.

The STA will dispatch research members of the Japan Atomic Engery Research Institute, who have experience in dismantling reactors safely, to the Bofniche Nuclear Power Station. The researchers will conduct survey of the conditions of damage done to the nuclear reactor and the state of radioactive materials in the reactor. Then, based on the results of this survey, they will prepare a report on what needs to be done to dismantle the machine and make an estimate of costs required for the dismantling operation. The information will be presented to the Slovak Government in 1995.

U.S. Influenced Consumption Tax Hike Decision

OW2109021994 Tokyo KYODO in English 0122 GMT 21 Sep 94

[Text] Tokyo, Sept. 21 KYODO—The government's decision to raise the consumption tax in 1997 was apparently influenced by its consideration for the United States, an informed source said Wednesday [21 September].

The source said U.S. Treasury Undersecretary for International Affairs Lawrence Summers told Finance Minister Masayoshi Takemura on Tuesday in their meeting in Tokyo that Japan should not implement a planned consumption tax hike for at least three years after this year's tax cuts.

The U.S. request was made in order to bring about maximum pump- priming effects of this year's tax cuts, the source said.

In April, the source noted, Tsutomu Hata, who was then foreign minister, told U.S. Trade Representative Mickey Kantor that the nation was adjusting government opinions to leave a three-year time lag between a consumption tax rise,and cuts in income and residential taxes.

The three-year time lag was seen by the U.S. as an effective measure by Japan on the tax issue, the source said.

Leaders of the three coaltion parties agreed Tuesday to raise the current 3 percent consumption tax in April 1997.

Tax Cuts 'Pledge' Denied

OW2109012294 Tokyo NIHON KEIZAI SHIMBUN in Japanese 20 Sep 94 Morning Edition p 5

[Text] At a 19 September press conference,Kunihiko Saito, administrative vice minister of foreign affairs, ruled out the view that income tax cuts implemented for three years prior to a consumption tax hike are a pledge Japan made to foreign nations. He said: "The Japanese Government has never made such a pledge." However, he noted: "We understand that the U.S. Government is hoping Japan will take drastic economic stimulus measures."

Takemura on Possible Flexibility on Tax Increase

OW2009043194 Tokyo KYODO in English 0341 GMT 20 Sep 94

[Text] Tokyo, Sept. 20 KYODO—Finance Minister Masayoshi Takemura suggested Tuesday [20 September] that planned tax reform bills may feature flexibility in relation to the timing of a proposed consumption tax increase.

Takemura said at a press conference, "there is a way to leave an option of two or three years" as the time lag separating tax cuts and related consumption tax increases, in the implementation of the tax reform policy formulated among the ruling coalition parties.

The heads of the ruling coalition parties were scheduled to meet Monday to discuss the comprehensive tax reform planned for implementation by this year-end, but postponed their meeting until later Tuesday because of continuing differences over the timing and scale of a future tax hike.

The proposed flexibility is apparently intended to bridge these differences.

Takemura expressed hopes for agreement at the day's meeting, while saying, "there is no clear prospect yet."

Asked about how the reported three-year time lag pledge might be received by the United States, Takemura said that Japan only promised the U.S. that it would retain this year's tax cuts next year, because business conditions remain sluggish, while giving the U.S. assurances that taxes would be raised once the economy improves.

"Compared with the situations in February or April, it is a fact that brightness has emerged in the business confidence," Takemura said.

Accepts 'Net-Increase' Tax Reform

OW1709020994 Tokyo NIHON KEIZAI SHIMBUN in Japanese 12 Sep 94 Morning Edition p 3

[Text] On the tax-reform plan, Finance Minister Masayoshi Takemura has started to show a more flexible attitude toward the idea of a "net-increase in taxation." Takemura seems to have taken into consideration the concept maintained by the Social Democratic Party of Japan [SDPJ] and Sakigake [Harbinger] that "the plan to secure financial sources by tax reduction alone is insufficient to win people's understanding of why the consumption tax rate (currently set at 3 percent) has to be upgraded." His new stance is welcomed by the Finance Ministry bureaucrats who have been claiming that the country is faced with financial difficulties. However, since the finance minister tends to frequently change his attitude depending on with whom he discusses the matter, it remains difficult to judge where his real intention lies.

Conflicts have been reported between the finance minister and the ministry bureaucrats. For example, Takemura was not happy about the welfare tax plan brought up last February. As a result, Takemura has been cautious about the idea of increasing the consumption-tax rate even after he became finance minister, and tension has continued to exist between him and ministry officials. For example, Takemura has stated that the tax-reform should be carried out on condition that the administrative reform be executed first. Moreover, he has shown his understanding of the concept of "separately dealing with tax increase and tax reduction issues."

Vague though his tax-reform concept has been, Takemura recently started to clarify his stance on giving priority to "welfare policy," because he maintains that "the aging society is drawing near each day" and that "deliberations should be held now on measures to deal with rapidly increasing welfare spending." The argument most influential among the coalition parties is the "theory of settling the issue in two stages": first implementing the tax system reform by setting aside the revenue and expenditure issue, and then studying the issue on how to deal with increasing demand for welfare spending. However, the finance minister reportedly mentioned to those close to him that "he favors the net-increase taxation plan," saying "we cannot afford time for the two-staged policy."

However, the bureaucrats remain cautious about his "changed" stance. Even in adopting the "net-increase taxation system," it will be based on condition of keeping the consumption tax rate below 6 percent. As for tax cut plans, a proposal has been made for adopting "two-tier" tax reductions of combining the scaled-down permanent tax cut plan with the fixed-rate tax reduction being implemented for the current fiscal year. And there is still a gap between this two-tier tax reduction plan and concerns cherished by the ministry since the failure of adopting the welfare tax plan. Moreover, there is a concern that when Takemura's line that "it will be proper to discuss the welfare policy and administrative reform at the same time" is taken into consideration, the entire plan may eventually be "postponed due to lack of time."

It is true that the finance minister has ceased mentioning the "idea of handling the issues on tax cuts and hikes separately." While Takemura has stressed the "combined legislations" idea, ambiguity is still noted in his remarks on the issue. And judging from his recent remarks, his ideas on how to settle the issue range from the "totally combined legislation," in which the consumption tax rate and timing for implementing the tax raise will be clearly stipulated, to "loosely combined legislation," in which the future tax raise will be stated as a political assurance. Now that the tax reform controversy has reached its final phase, the point at issue lies in how Takemura will take the lead in settling it. However, the finance minister's true intention still remains unclear because "he is still pondering all options" (as stated by a source close to the minister).

Coalition Agrees To Raise Tax in Apr '97

OW2009145394 Tokyo KYODO in English 1439 GMT 20 Sep 94

[Text] Tokyo, Sept. 20 KYODO—Leaders of the ruling coalition parties agreed late Tuesday [20 September] to raise the consumption tax in April 1997, but failed to make a breakthrough in the scale and other thorny issues, party officials said.

The accord came at a meeting of Prime Minister Tomiichi Murayama of the Social Democratic Party [of Japan], Foreign Minister Yohei Kono of the Liberal Democratic Party and Finance Minister Masayoshi Takemura of New Party Sakigake.

The talks took place at Murayama's official residence.

The three coalition leaders agreed to raise the consumption tax, currently at 3 percent, in April 1997 to leave a time lag of three years after the government's already implemented 6.2 trillion yen tax cuts, including 5.5 trillion yen in income and residential taxes, initially legislated only for this year, the officials said.

On tax cuts, the leaders decided to continue the 5.5 trillion yen income and residential tax cuts through a two-tier method of reducing 2 trillion yen with a uniform levy rate cut as an economic stimulus and shaving 3.5 trillion yen with an overall reform in the progressive levy system as a permanent tax cuts, the official said.

They said an agreement was basically made on single legislation of the multiyear tax cuts and the consumption tax hike.

But the issues of whether to instate the three-year time lag and the rate of the consumption tax increase remained unresolved but would be discussed further on Wednesday afternoon, the officials

With socialists strongly opposing the tax hike, the three ruling parties left the decision up to the top meeting of Murayama, Kono and Takemura.

The officials said the socialists insisted that the tax hike should be avoided, while the two other parties favored a hike to 5 percent.

The failure came amid looming deadline for the government to complete legislative procedures by the end of the year as promised internationally.

Technically, the government must submit a reform package at an early stage to pass by the yearend at an extraordinary Diet session slated to convene next week.

5% Tax Increase Likely

OW2109052194 Tokyo KYODO in English 0448 GMT 21 Sep 94

[Text] Tokyo, Sept. 21 KYODO—Leaders of Japan's three ruling coalition parties are likely to agree on a hike in the consumption tax from the current 3 percent to 5 percent in April 1997 as part of the planned tax reform, government officials said Wednesday [21 September].

Prime Minister Tomiichi Murayama, Finance Minister Masayoshi Takemura, and Keizo Obuchi, vice president of the Liberal Democratic Party (LDP), are expected to reach the accord in a meeting later Wednesday. The meeting follows the failure Tuesday to come to an accord on the matter.

Obuchi is standing in for LDP president and Foreign Minister Yohei kono, who left for the United States earlier in the day to attend the UN General Assembly session. The officials said.

Murayama is the head of the Social Democratic Party (SDP) [Social Democratic Party of Japan—SDPJ], while Takemura is leader of new party Sakigake [Harbinger].

The SDP, which was opposed to the consumption tax hike, held a meeting Wednesday morning and decided to leave the decision to Murayama, an indication that the party is likely to accept the consumption tax hike and income and residential tax cuts as a package.

Chief Cabinet Secretary Kozo Igarashi said at a news conference that the cabinet will decide Thursday on the tax reform package.

"I think it is natural for the cabinet to give the go-ahead at its regular meeting tomorrow," the top government spokesman said.

Initially, the cabinet was expected to hold an extraordinary meeting Wednesday for the final approval for the tax reform program.

On Tuesday, leaders of the ruling coalition agreed to raise the consumption tax in April 1997, with a three-year time lag after the already implemented 6.2 trillion yen tax cuts, including 5.5 trillion yen in income and residential taxes.

But they failed to strike a deal on the size of the hike for the consumption levy, due mainly to opposition from the SDP.

Tokyo, Beijing Expectations for Auto Markets

OW1909011694 Tokyo NIHON KEIZAI SHIMBUN in Japanese 17 Sep 94 Morning Edition p 9

[By reporter Kenji Yuasa]

[Text] Beijing, 16 Sep—Japanese firms are becoming more frenzied than ever before over the Chinese automobile market. Companies have worked out plans for joint ventures with Chinese companies, primarily emphasizing the manufacture of finished passenger vehicles, and senior company officials one after another have visited the PRC. However, there are differences over what Japan and China expect from their business deals. For example, among other things, China wants to emphasize the development of its auto parts industry. Thus, it is likely that bilateral negotiations will continue for quite some time.

"In order to help foster our domestic industries, first, we would like Japanese auto parts makers to come over to China. It seems that Japanese firms are too cautious." These were remarks made by Chinese authorities during their meeting in Beijing on 15 September with a Japanese delegation representing the Japan-China Association of Economy and Trade. The delegation asserted that "unless factories to manufacture finished automobiles are built in China, auto parts makers cannot feel at ease in advancing into China."

The Japanese trade delegation arrived in Beijing on 13 September and held meetings with Chinese Government leaders, including Premier Li Peng and Vice Premier Li Lanqing, until its departure on 17 September. Among panel meetings held separately to discuss individual trade topics, negotiations over automobiles became heated. Representing the Chinese side were senior officials from the State Planning Commission and the Ministry of Machine-Building Industry, and representing the Japanese side were leaders from relevant industries, including Toyoo Yakata, advisor for Mitsubishi Motors Corporation, Hiromichi Matsuka, vice president of Isuzu Motors, and Minoru Matsumura, president of Nippon Sheet Glass Company, among others.

Japanese officials concentrated on questions regarding Japanese auto parts makers' advancing into the Chinese market. For example, they pointed out: "We have no idea what companies there are in China that we could have as partners regarding manufacture of small parts such as rear-view mirrors"; and asked: "Will factories that are not assembly plants be able to receive government subsidies?"

Chinese officials failed to provide satisfactory answers to the Japanese officials' questions. For example, they said: "It will be difficult for the government to introduce specific Chinese firms to Japanese firms as prospective partners." As a result, Japanese officials bombarded Chinese officials with detailed questions, one after another. Fed up with this, Chinese officials said: "Japanese companies are too cautious."

In its New Policy on the Automobile Industry, China advocated increasing its annual automobile output to approximately 1.5 million units and fostering its auto parts industry, which will serve as the foundation for such an increase in output. Although China plans to allow new entries by foreign firms into its markets after 1996, it has also attached a condition that "40 percent of the parts used must be domestic-made."

Toyota Motor Corporation, which plans to manufacture passenger vehicles in Tianjin, is currently sounding out its affiliate firms about advancing into Tianjin, but there are voices among some auto makers describing the Chinese market as an "unexplored jungle."

However, in some quarters of the automobile industry, it is observed that "eventually, China may possibly take advantage of foreign firms' advances into its automobile market as one of its negotiating cards in conducting diplomacy." If China decides to take advantage of its automobile market when it tries to approach the United States and Europe, Japanese firms will clearly face a disadvantage. There is no doubt that China, which seeks to become a political as well as an economic superpower, will offer Japan stiff competition.

Mitsui Group To Build Resin Factory in Shanghai

OW2009003194 Tokyo KYODO in English 2356 GMT 19 Sep 94

[Text] Tokyo, Sept. 20 KYODO—Mitsui and Co. and five chemical makers belonging to the Mitsui Group will construct a factory in the suburbs of Shanghai to produce general purpose resin for use in consumer electronics, a leading business daily said Tuesday [20 September].

Among the companies in the project are Mitsui Toatsu Chemicals Inc., Mitsui Petrochemical Industries Ltd., Toray Industries Inc., Denki Kagaku Kogyo K.K., and Dainichiseika Colour and Chemicals Mfg. Co., the NIHON KEIZAI SHIMBUN said.

Mitsui and Co. and the five chemical makers have already reached a basic agreement on the plan and will announce it soon.

Under the agreement, a total of 2 billion yen will be invested in construction of the factory, which will produce resin to be provided to Japanese home electric appliance makers operating in China.

The factory, whose construction is scheduled to begin next year, will become operational in 1996, the daily said.

It is unusual for Japanese companies in the same business group to undertake a venture in China together, the paper said.

Contact With DPRK Made To Resume Talks

OW1709141194 Tokyo TOKYO SHIMBUN in Japanese 16 Sep 94 Morning Edition p 2

[Article by TOKYO SHIMBUN Editorial Board member Tadahiko Nasa: "Inside Japan's Diplomacy—North Korea Urged To Resume Stalled Normalization Talks"]

[Text] In late August, Japanese and North Korean diplomats met in Beijing for the first time in a long time.

It was the first meeting since Japan proposed to North Korea in New York in November 1993 that the two countries resume normalization talks that have remained stalled since they were broken off in November 1992.

A Foreign Ministry official has said: "Though I cannot go into details, Japan and North Korea have been in contacted more than twice." He added that to say they had just met for the first time in a long time might be inaccurate.

Nothing is known about the Beijing meeting between Japan and North Korea because officials have kept silent. A senior official at the Asian Affairs Bureau of the Foreign Ministry, who is supposed to have been briefed on the Beijing meeting, declined to comment on it, saying, "If we reveal details it would cause trouble for third parties."

It seems then that China and other third countries mediated the Beijing meeting between Japan and North Korea.

It appears true that, at the Beijing meeting, North Korea showed a willingness to break the deadlock in Japan-North Korea relations. A government source said: "Though the Beijing meeting failed to open the prospect of actually breaking the deadlock, we felt an enthusiasm on the part of the North Korean side to break the deadlock in Japan-North Korea relations."

The "winter" in Japan-North Korea relations, when officials at the North Korean embassy in Beijing would slam down the receiver if anyone from the Japanese Embassy called, appears to be over.

According to the same government source, North Korea began showing signs of a change in its stance immediately after U.S. and North Korean negotiators issued a statement after wrapping up the first session of the joint, high-level talks in Geneva on 13 August.

Analyzing why North Korea was changing its attitude toward Japan, the government source said: "North Korea was satisfied with the results of the first session of the U.S.-North Korea high-level talks and it had a chance to seek for a way to resume the stalled Japan-North Korea normalization talks."

However, the resumption of Japan-North Korea normalization talks still has a long way to go.

There are two major stumbling blocks to resuming the stalled normalization talks—the issue of North Korea's suspected development of nuclear weapons, and the issue of Yi Un-hae.

On the nuclear issue, North Korea showed no change in its conventional stance at the Beijing meeting, in other words, "the nuclear issue is one which must be resolved between North Korea and the United States and it is not a matter to be taken up for discussion at Japan-North Korea normalization talks."

At the Beijing meeting, though, the two countries failed to agree on how to handle the issue of Yi Un-hae (a Japanese women allegedly kidnapped by North Korea and assigned to educate Kim Hyun-hi, who was accused of blowing up a Korean airliner in mid-air) and this was the direct cause for breaking off diplomatic relations.

Japan plans to formally call upon North Korea to hold preliminary talks to discuss how to resume the stalled normalization talks if there is headway at the second session of the high-level U.S.-North Korea talks scheduled to start in Geneva on 23 September.

Should North Korea go along with the Japanese proposal, the preliminary talks would be held in Beijing in October.

The Foreign Ministry, in its September issue of GAIKO FORUM, carried an article entitled: "How Japan Should Deal With the Unpredictable Korean Peninsula."

The article was written by Shigeru Nakamura, chief of the Northeast Asia Division of the Foreign Ministry, who is in charge of handling the Japan-North Korea normalization talks.

In it he says: "The solution of the issue of North Korea's suspected development of nuclear weapons is indispensable for normalizing relations between Japan and North Korea. Japan, however, is willing to resume the stalled normalization talks even before the nuclear issue is resolved."

His article was, in fact, a call from Japan to resume the stalled normalization talks. Nakamura has admitted his article was a message to North Korea.

Hajime Fukada, a member of the House of Councillors from the ruling Social Democratic Party of Japan, visited North Korea last week. North Korean officials reportedly told him Pyongyang had no intention of calling for a resumption of normalization talks. How has North Korea assessed the message? It is still to respond.

Seoul's 'Policy Shift' Toward Pyongyang Welcomed

OW2009142294 Tokyo MAINICHI SHIMBUN in Japanese 17 Sep 94 Morning Edition p 5

[Editorial: "Seoul's Policy Shift Welcomed"]

[Text] The South Korean Government has disclosed a shift in its policies toward North Korea, placing emphasis on actively pursuing a dialogue with North Korea, which has been deadlocked after the death of North Korean President Kim Il-song. We would like to welcome such a change as flexible and realistic diplomatic measures to ease tensions over the Korean Peninsula and settle the nuclear issue.

The South Korean Government held the "Joint National Security Policy Coordination Council" on 13 September to discuss the issue concerning North Korea. After the meeting, Yi Hong-ku, deputy prime minister and national unification minister, indicated the government's position that "it is possible to hold a constructive dialogue with North Korea" and the accord on holding a South-North is still in force."

Saying "it is expected that the power succession in North Korea will be completed by mid-October," Yu Hong-ku made clear the government's plan to positively seek the resumption of a dialogue with North Korea, hopefully around mid-October. Moreover, in connection with the issue of introducing light-water reactors, he officially disclosed for the first time the government's position that the light-water reactors to be provided to North Korea do not necessarily have to be "South Korean-style." This position was officially confirmed at his meeting with Robert Gallucci, U.S. special envoy in charge of North Korean nuclear affairs, in Seoul on 15 September.

The death of President Kim Il-song had great impact on South Korea's policy toward North Korea. Within the government, opinions were divided over conditions for providing light-water reactors, while policy differences with the United States surfaced. Meanwhile, South Korea indicated a stand of rejecting South-North summit talks and dialogues because South Korean President Kim Yong- sam did not express his condolences over the death of Kim Il-song.

Underlying Kim Yong-sam's refusal to send a condolence message is the South Korean people's anti-Pyongyang feeling and deep distrust of North Korea. At the time of the Korean War, people who escaped from the North to the South saw bloody battle between Koreans and were forced to endure a hard life. For those involved, such experiences are unforgettable even if they wanted to forget them, and they cannot help feeling that the North Korean leaders should take responsibility for the war. In view of this, President Kim Yong-sam reportedly refused to send condolences to North Korea because he could not ignore such a feeling of his people.

In addition, among those who took part in negotiations with North Korea in the past, there was growing criticism against the United States for promoting a dialogue with North Korea without attaching any conditions and making successive concessions in connection with the nuclear issue. South Korea began to fear "a deal was being made over its head" when the United States and North Korea avoided referring to the resumption of the North-South dialogue as a proviso for future bargaining by the end of the third round of talks in August. South Korea took this as a rejection of its trump card for checking the Washington-Pyongyang talks.

To allay domestic fears and criticism, South Korea actively sought to coordinate policy with the U.S. through Foreign Minister Han Sung-chu's visit to the United States and Gallucci's trip to South Korea. As a result, South Korea managed to put together its current plan, promoting dialogue with North Korea and not insisting on installation of a South Korean reactor.

South Korea can and should pursue flexible diplomacy toward the North while remaining fully aware of the fact that it enjoys an overwhelming advantage over North Korea in economic and military terms. South Korea therefore needs to develop a new strategy that is not overly sensitive to minor twists and turns in the post-Cold War era.

South Korea gained handsomely from its "Northern diplomacy," through which it successfully sought improved ties with socialist countries during the Cold War. But South Korea has yet to develop a new formula aimed at surviving in the post-Cold War era, creating confusion and fear in its diplomacy.

We welcome South Korea's shift in its policy and its stand of actively seeking dialogue with North Korea while providing aid aimed at helping North Korea convert its nuclear reactors to light-water reactors. At the same time, we hope that South Korea will adopt a "new diplomatic strategy" from a world-historical viewpoint and carry it out.

Reporting on Issues Related to Government Aid

Igarashi on Aid to Haiti

OW2009203594 Tokyo ASAHI SHIMBUN in Japanese 20 Sep 94 Morning Edition p 2

[Text] On 19 September, commenting on an agreement reached between U.S. negotiators and Haiti's military junta that averted a U.S.-led military invasion of Haiti, Chief Cabinet Secretary Kozo Igarashi welcomed the agreement as "progress toward democratization in Haiti." The government, however, plans to keep an eye on future developments in Haiti.

The government believes that the situation in Haiti could change before President Aristide returns to power after the Haitian military leaders step down. In an effort to help Haiti promote democratization, the government is poised to aggressively study ways to provide that country with economic aid, but the prerequisite for the economic aid is a stable domestic situation in Haiti.

On 19 September, Yohei Kono, deputy prime minister and foreign minister, issued a statement saying: "We welcome the agreement as an important step toward restoring the democratic system in Haiti. Japan will consider offering appropriate cooperation to help Haiti promote democratization and reconstruction while keeping an eye on future developments in that country."

The Foreign Ministry plans to keep an eye on future developments in Haiti while focusing on 1) moves by the multinational forces that landed in Haiti on 19 September; 2) whether or not the three military leaders relinquish power by 15 October, a deadline set by the agreement and 3) whether or not President Aristide returns to power.

The Foreign Ministry intends to pay close attention to the three military leaders' future moves. The Foreign Ministry still holds the view that "if the three military leaders refuse to relinquish power by the deadline, then the United States will intervene militarily in Haiti," (according to a senior Foreign Ministry official).

Meanwhile, the Foreign Ministry feels strongly that Japan needs to provide Haiti with financial assistance to help that country reconstruct its economy, which has remained stagnant since the 1991 military coup.

In the past, Japan has extended approximately 1 billion yen in annual grant-in-aid to Haiti, but the military coup in Haiti prompted Japan to freeze the financial aid. Japan is likely to make full-fledged moves to resume the financial aid if and when Haiti is fully prepared to receive the financial aid after the situation in that country has normalized.

On Japan's cooperation with UN peacekeeping operations (PKO) aimed at promoting democratization in Haiti, the government will decide on whether or not to participate in the PKO upon receiving a request from the United Nations.

Moldova: $40 Million

OW1609095994 Tokyo KYODO in English 0759 GMT 16 Sep 94

[Text] Tokyo, Sept. 16 KYODO—The Export-Import Bank of Japan signed Friday [16 Sep] an agreement to extend untied yen loans worth 40 million dollars to Moldova.

An untied loan does not require the recipient to use proceeds from the loan to purchase goods and services from the lender.

The governmental bank said it is its first such loan to the former Soviet republic.

The loan will be cofinanced with a rehabilitation loan from the World Bank to support Moldova's structural reforms toward a market economy, the bank said.

Bolivia: 3.54 Billion Yen

OW2009043494 Tokyo KYODO in English 0338 GMT 20 Sep 94

[Text] Tokyo, Sept. 20 KYODO—Japan will grant 3.54 billion yen to Bolivia over a three-year period to help finance its project to build an international airport in El Alto, the Foreign Ministry said Tuesday [20 September].

Japan's Foreign Minister Yohei Kono and Bolivian Foreign Minister Antonio Aranibar, who is visiting Japan, exchanged letters on the assistance, ministry officials said.

Bolivia's El Alto Airport is the nearest international airport to the nation's capital, La Paz, but is in need of modernization.

The ministers also agreed on Japanese grant aid of 450 million yen to increase food production, and a cultural donation of 50 million yen to purchase musical instruments, the officials said.

Asiad Urges Tokyo To Solve Taiwan-PRC Issue

OW1609141594 Tokyo KYODO in English 1341 GMT 16 Sep 94

[Text] Hiroshima, Sept. 16 KYODO—The Japanese Government should take necessary steps to solve China's opposition to the forthcoming visit to Japan by Taiwan's Deputy Prime Minister Hsu Li- teh to attend the Hiroshima Asian Games, a top organizing committee official said Friday [16 September].

"The Hiroshima Asian Games Organizing Committee (HAGOC) will have nothing to do in settling the issue," Committee Secretary General Takayoshi Fukushima said. "This is a problem to be dealt with by the Japanese Government, not by the HAGOC."

"The HAGOC issued an ID card for Hsu because we considered him a person in charge of Taiwan's bidding activities to win the right to host the 2002 Asian Games," Fukushima said.

"The Foreign Ministry is allowing Hsu to enter Japan, and he should be considered as a sports figure," he said.

Olympic Council of Asia (OCA) President Ahmad 'al-Fahad in July sent an invitation to Taiwan President Li Teng-hui to attend the Oct. 2 opening ceremony of the Hiroshima Asiad.

After China earlier this month threatened to boycott the games, Ahmad retracted his invitation by saying no political figures would be invited to the Asiad.

The HAGOC sent officials to Taipei on Monday with 517 ID cards for competitors and officials, including Hsu.

Bankers Said To Be Worried

OW1909084294 Tokyo KYODO in English 0818 GMT 19 Sep 94

[Text] Tokyo, Sept. 19 KYODO—Japanese commercial banks are worried that Japan's decision not to invite Taiwan President Li Teng-hui to the Hiroshima Asian Games could hurt their chance of doing business in Taiwan.

"Taiwan could be dissatisfied with the view that Japan is placing more importance on its relations with China. It could mean a delay in Japanese banks setting up branch offices in the country," one banking source said.

Faced with disapproval from China, which regards Taiwan as a renegade province, the Olympic Council of Asia withdrew its invitation extended to Li to attend the Oct. 2 opening ceremony of the Asian Games.

Japanese commercial banks are a step behind their European and U.S. counterparts in their operations in Taiwan, with only Dai-ichi Kangyo Bank and the Bank of Tokyo having branch offices there.

A number of banks including Fuji Bank and Sumitomo Bank are currently waiting for the go-ahead to set up representative offices.

Concern within the Japanese banking industry over the political implications of the incident were particularly strengthened because Tokai Bank failed to get approval to upgrade its representative office into a branch office this spring.

Japan's banking industry had been certain Tokai would win approval following the announcement by Taiwan in June that it would soften regulations on foreign banks setting up branch offices.

Taiwan's Li Cancels Asiad Visit

OW1909143394 Tokyo KYODO in English 1408 GMT 19 Sep 94

[Text] Tokyo, Sept. 19 KYODO—Vice Foreign Minister Kunihiko Saito on Monday [19 September] refused to comment on Taiwanese President Li Teng-hui's decision to cancel plans to attend opening ceremonies for the Hiroshima Asian Games in October.

Speaking at a news conference, Saito said "This is not an issue justifying a Japanese Government comment." Following a monthlong diplomatic row with China, Taiwan earlier Monday officially said Li will not come to Japan for the games.

Taiwan's move follows the Sept. 12 announcement by the Olympic Council of Asia (OCA) to virtually rescind its initial invitation to Li by saying no politicians are welcome except those from host Japan.

The OCA invitation angered China, which considers Taiwan part of its territory and believes that such a move would be tantamount to recognizing the Taiwanese Government as a separate, independent state.

Japan hoped to produce a compromise acceptable to Beijing by inviting Deputy Premier Hsu Li-te in his capacity as chairman of a Taiwanese government panel lobbying for Taiwan's bid to host the games in 2002, while stressing that its policy of diplomatic relations with Beijing, and not Taipei, remains intact.

Saito said that Hsu and his entourage "understand they may not engage in political activities" during their stay in Japan.

He said Tokyo expects Beijing to endorse the decision. "We have sufficiently explained our stance to China," he said.

In addition, Foreign Minister Yohei Kono will have "a good opportunity for bilateral talks" when meeting with his Chinese counterpart Qian Qichen at the UN General Assembly session starting next week, Saito said.

Tokyo Urged To Reject Taiwanese

OW2009031794 Tokyo KYODO in English 0309 GMT 20 Sep 94

[Text] Tokyo, Sept. 20 KYODO—China urged Japan on Tuesday [20 September] to reconsider its decision to allow Taiwan officials to enter Japan to attend the Hiroshima Asian games next month, warning the issue may affect Tokyo-Beijing relations, Japanese Foreign Ministry officials said.

Chinese Ambassador to Japan Xu Dunxin made the request in a 15-minute meeting with Foreign Minister Yohei Kono, the officials said.

Xu criticized Taiwan's plans to send government officials to the Hiroshima Asian games set to open Oct. 2, saying Taiwan is trying to use the sports event for political purposes.

Xu reportedly told Kono that China wants the Asian games to go smoothly but the good relations between Japan and China, based on a 1972 accord, will be affected if this problem is not solved.

The Olympic Council of Asia (OCA) withdrew its invitation to Taiwan President Li Teng-hui to attend the games' opening ceremony, following China's strong protests and threat to boycott the games.

However, Taiwan's plans to send Deputy Premier Hsu Li-teh and other officials to the Asiad remain unchanged, and Japan has decided to admit them because they will not visit Japan in a political capacity.

Kono urged Chinese understanding of the decision to admit the Taiwan officials, saying Japan has placed importance on its relations with China and will continue to do so.

Kono reportedly told Xu that Japan made the decision after careful consideration, and he reiterated Japan's position that Hsu will visit Japan as a member of the preparatory committee for Taiwan's bid to host the 2002 Asiad, and not as a political figure.

Kono also said he is likely to discuss the issue with Chinese Foreign Minister Qian Qichen while attending the UN General Assembly session in New York.

Diplomatic ties between Japan and Taiwan were severed in 1972 after Japan and China issued the Shanghai Communique which reestablished diplomatic links between Tokyo and Beijing. In the communique, Japan confirmed the principle of one China.

Tamazawa, Peacekeeping Troops Leave for Nairobi

OW2109072894 Tokyo KYODO in English 0552 GMT 21 Sep 94

[Text] Tokyo, Sept. 21 KYODO—Japan's Defense Agency Chief Tokuichiro Tamazawa and an advance mission from the Ground Self-Defense Force (GSDF) left Wednesday [21 September] for Nairobi to prepare relief operations for rwandan refugees.

At the Defense Agency before their departure, Col. Makoto Nasu, 47, the chief of the advanced mission, showed anxiety at going to a refugee camp in Goma, Zaire, as UN peacekeepers, but said the team will do its best.

The 23-member advance mission will carry five rifles and 18 pistols during their operations in Goma, Defense Agency officials said.

The group will arrive in Goma on Friday and, by using a camp set up by French troops, will begin preparations to receive the main GSDF troops to be stationed there from Oct. 2.

The advance team will also gather information about security in the areas concerned and be involved in coordinating operations with the UN High Commissioner for Refugees (UNHCR) and nongovernmental organizations.

On Thursday in Nairobi, Tamazawa will inspect an advance mission of the Air Self-Defense Force (ASDF) and hold talks with Kenyan President Daniel arap Moi, the officials said.

Tamazawa will also confer with Rwandan President Pasteur Bizimungu on Friday.

On Saturday, Tamazawa will inspect a refugee camp in Goma, where the GSDF troops are expected to start providing full-fledged assistance to refugees from the middle of October through such measures as medical help, prevention of epidemics and water supply.

Japan is sending a total of 470 peacekeepers and 10 officials on a three-month mission to refugee camps in Zaire which accommodates Rwandan refugees who fled fighting in their home country.

SDF Troops to Join Golan Heights in 1995

OW1909133694 Tokyo TOKYO SHIMBUN in Japanese 17 Sep 94 Morning Edition p 2

[Text] On 16 September, the government decided to dispatch Self-Defense Forces [SDF] to the Golan Heights to join operations of the UN Disengagement Observer Force (UNDOF) in accordance with the UN Peace Cooperation Law. A fact-finding mission will be sent before the end of this year, and an SDF unit is likely to be deployed early next year.

The SDF unit to go to the Golan Heights is expected to be composed of a little less than 100 troops of the Ground Self-Defense Forces. The unit will take charge of transportation operations of UNDOF. This will be the SDF's fourth dispatch overseas, following Cambodia, Mozambique, and Rwanda (Zaire).

On the other hand, the government would not join the UN Protection Force (UNPROFOR) in former Yugoslavia—Croatia, Macedonia, and Bosnia-Herzegovina. Yasushi Akashi, special representative of the UN Secretary General in charge of the former Yugoslavia issue, has recently asked Prime Minister Tomiichi Murayama for Japan's participation in UN activities in the region. However, for the time being, the government intends to promote "preventive diplomacy" through increased economic aid to Macedonia.

Canada, one of the contributors to UNDOF, is going to scale down its logistical support unit. In line with this, the United Nations informally asked the government if Japan intends to replace the departing Canadian troops.

Upon the UN request, officials of the prime minister's office, the Foreign Ministry, and the Defense Agency were sent to Canada in June to discuss how Japan can assume Canada's role in the Golan Heights.

However, Japan's preparatory work for participation in UNDOF was held up by a turnover of the government. Debates over the SDF deployment to Rwanda also delayed the new coalition government's decision on the UNDOF issue.

The government finally decided to join UNDOF because "further delay in our decision would cause an inconvenience to Canada" (as noted by a Foreign Ministry source). Japan's dispatch of a fact-finding mission will be regarded as its declaration to join UNDOF.

Including UNDOF, the United Nations is currently carrying on 17 peacekeeping operations in the world. UNDOF was founded according to the UN Security Council's Resolution 305, which was adopted in response to the Israel-Syria disengagement accord after the fourth Middle East war. The organization has been in action since June 1974, and its headquarters is located in Damascus.

As of May 1994, UNDOF consisted of 1,036 troops—464 Australian soldiers, 357 Polish soldiers, and 215 Canadian logistical support troops.

Peacekeepers To Retreat if Security Worsens

OW2009144094 Tokyo KYODO in English 1356 GMT 20 Sep 94

[Text] Goma, Zaire, Sept. 20 KYODO—The chief of Japan's Self-Defense Forces (SDF) peacekeeping team said Tuesday [20 September] the government would evacuate SDF personnel from Zaire if security deteriorated in the area where they are assisting refugees from neighboring Rwanda.

Katsunari Suzuki, secretary general of a government department overseeing Japan's peacekeeping operations, made the comment during a press conference in Goma, eastern Zaire, where several refugee camps are located.

SDF planes will operate a shuttle service from Nairobi, Kenya, to Goma to bring in supplies to the camps. Other SDF personnel will assist in the provision of water and medical supplies for the refugees.

Suzuki said SDF personnel would evacuate to Nairobi if security worsened and would await improvement in the security situation before returning.

"I hope the SDF operations will not provoke any kind of reaction from refugees or Zaireans," Suzuki said.

"The SDF forces, at the initial stage, have to know how to conduct themselves in these environments since they have no experience in Africa other than Mozambique, which is not like Zaire."

Under Japan's UN Peacekeeping Cooperation Law, SDF personnel engaged in peacekeeping activities may only use weapons "if inevitable to defend life and limb of oneself or nearby SDF personnel."

The law also does not permit SDF troops to be involved in U.N.-led peacekeeping operations in a country that has no cease-fire accord among warring parties.

Suzuki's comment indicates that the government is keeping a close watch on security in Goma where a series of shooting incidents, some involving Zairean soldiers, have occurred.

Suzuki said the SDF operation in Goma is unfolding as planned although it still has not been decided where the SDF personnel will establish their headquarters.

Postal Savings Interest Earmarked for Rwanda

OW2009063394 Tokyo KYODO in English 0523 GMT 20 Sep 94

[Text] Tokyo, Sept. 20 KYODO—The Posts and Telecommunications Ministry said Tuesday [20 September] it will allocate a total of 120 million yen in aid funds to four nongovernmental organizations (NGOs), for use in assisting Rwandan refugees.

The funds were drawn from interest on ordinary postal savings accounts whose owners had agreed that a percentage of any interest due should be donated to support international volunteer activities, the ministry said.

Ministry officials said the funds will be used to dig wells and provide refugees with food, medicine and clothing.

Murayama Calls for Strong Self-Defense Forces

OW1909022594 Tokyo KYODO in English 0132 GMT 19 Sep 94

[Text] Tokyo, Sept. 19 KYODO—Prime Minister Tomiichi Murayama called on top-ranking officials of the Self-Defense Forces (SDF) to make efforts to maintain a strong SDF.

In an address to a gathering of top-ranking members of the SDF at the Defense Agency, Murayama commented that "as prime minister, I have expressed that the SDF, as an organization of the minimum scale which strictly sticks to defense, is constitutional."

Murayama, who took office in late June as the first socialist prime minister in nearly five decades, declared in July in the Diet that the SDF is constitutional, marking a step away from the long-standing policy of his Social Democratic Party (SDP).

The prime minister also told the Diet that Japan will maintain the security treaty with the United States, which the SDP once demanded should be annulled.

The SDP endorsed its policy shift on defense and national security at a convention in early September. The party had previously argued that the existence of Japan's military forces violated the constitution, which renounces the use or threat of force to settle international disputes.

The prime minister reiterated Japan will maintain the Japan-U.S. Security Treaty.

Murayama also said his administration will work for international cooperation and the promotion of disarmament, and he affirmed the importance of the Japan-U.S. relationship as the main plank of future security and defense policy.

Murayama said he wants his administration to strengthen relations of trust with other Asian countries, actively cooperate in UN peacekeeping operations, and contribute to the elimination of starvation and poverty around the world.

Following Murayama's comments, Defense Agency Director General Tokuichiro Tamazawa said, "cooperating positively with the international community is Japan's international obligation."

Polls Indicate Rising Support Rate for Murayama

KYODO: 47.9 Percent

OW2109094594 Tokyo KYODO in English 0807 GMT 21 Sep 94

[Text] Tokyo, Sept. 21 KYODO—Nearly half the people responding to a survey approve of the coalition cabinet of Prime Minister Tomiichi Murayama, surpassing the disapproval rating for the first time since its inauguration on June 30, a KYODO NEWS SERVICE opinion poll showed Wednesday [21 September].

The approval rating was 47.9 percent, up 9.1 percentage points compared with a previous KYODO survey conducted in early July.

The disapproval rating was 41.1 percent, down 8.6 percentage points.

The results were based on nationwide interviews on Sept. 17-18 with 3,000 people aged 20 or older, of whom 1,948 or 64.9 percent responded.

Murayama, leader of the Social Democratic Party [of Japan] (SDP) [SDPJ], is Japan's first socialist premier in almost half a century.

In the previous KYODO poll, the disapproval rating was 49.7 percent while the approval rating was 38.8 percent.

According to the new survey, 33.5 percent of those who approve of the Murayama cabinet cited lack of a better alternative as a reason.

Also, 23.7 percent said they trust Murayama and 20.3 percent said they are satisfied with the coalition of the Liberal Democratic Party (LDP), the SDP and New Party Sakigake.

Among those who did not support the cabinet, 23.6 percent gave as a reason the coalition of three parties, 17.0 percent said difficulty in expecting realization of political reform, while 16.7 percent pointed to Murayama's lack of leadership capabilities.

Asked which party they support, 27.8 percent of the respondents picked the LDP, but the figure is down from 30.3 percent in the previous survey.

As the second largest share, 26.9 percent answered they support no party in particular, down from 30.6 percent.

The support rate for the SDP recovered somewhat to 12.7 percent of respondents from 10.6 percent in the previous survey and that for New Party Sakigake to 4.9 percent from 3.6 percent.

As to opposition parties, Shinseito's support rate rose to 9.2 percent from 9.0 percent and the Japan New Party's to 4.4 percent from 3.5 percent.

Komeito's support rate was unchanged at 3.2 percent, and the Democratic Socialist Party's gained by a marginal 0.1 percentage point to 1.6 percent.

The Japanese Communist Party's rate fell to 1.7 percent from 2.0 percent.

Two small parties, launched by LDP defectors in April, received little support—the Liberal Party getting 0.5 percent, down from 0.8 percent, and the New Party Mirai 0.5 percent, up from 0.3 percent.

ASAHI: 40 Percent

OW2109001094 Tokyo KYODO in English 2321 GMT 20 Sep 94

[Text] Tokyo, Sept. 21 KYODO—The approval rating of Prime Minister Tomiichi Murayama's cabinet rose 5 percent from July to 40 percent, a newspaper poll released Wednesday [21 September] said.

The ASAHI SHIMBUN's survey, conducted Sept. 18-19, shows the Murayama cabinet's approval rating stood at 40 percent, up from 35 percent in July, and its disapproval rating fell to 36 percent from 44 percent.

The ASAHI said the boost in popularity reflects declining resistance to a socialist premier and Murayama's down-to-earth character.

But roughly half those polled were against the coalition government, made up of the Social Democratic Party (SDP) [Social Democratic Party of Japan—SDPJ], the Liberal Democratic Party (LDP) and new party Sakigake [Harbinger].

The ASAHI poll shows LDP supporters helped raise the Murayama cabinet's approval rating as 46 percent of LDP respondents approved of the cabinet, up from 35 percent in the July poll.

Special Diet Session To Be Convened 30 Sep

OW2009143294 Tokyo KYODO in English 1343 GMT 20 Sep 94

[Text] Tokyo, Sept. 20 KYODO—Parliamentary business managers decided Tuesday [20 September] to open the next extraordinary Diet session on Sept. 30, officials said.

A key policy speech by Prime Minister Tomiichi Murayama was set for the opening day but the schedeule for other business, including general debate by party representatives, has yet to be fixed as Diet steering committee members from opposition parties in the House of Representatives failed to present their ideas.

The lower house opposition parties took issue with Murayama's address on the first day of the Diet session, when Foreign Minister Yohei Kono, president of the key ruling coalition partner Liberal Democratic Party (LDP), will be in New York to attend the UN General Assembly.

In the House of Councillors, however, both the ruling and opposition forces agreed to set the date for Murayama's speech on Sept. 30, to be followed by general question-and-answer sessions on Oct. 4 and 5.

The Lower House's Steering Committee will discuss the problem on Thursday.

Opposition Forces To Merge Diet Groups on 28 Sep

OW2109094394 Tokyo KYODO in English 0815 GMT 21 Sep 94

[Text] Tokyo, Sept. 21 KYODO—Ten opposition parties and groups agreed Wednesday [21 September] to merge their House of Representatives parliamentary groups on Sept. 28 into one that will be called "Kaikaku (Reform)," opposition sources said.

Executives of the opposition forces, excluding the Japanese Communist Party, met Wednesday and decided to file for the formation of the proposed new parliamentary group in the lower house on Sept. 28, they said.

The three ruling coalition parties—the Social Democratic Party, the Liberal Democratic Party and New Party Sakigake—command nearly 300 seats in the 511-member lower house, while the planned new opposition group is seeking to take about 190 seats.

The lower house parliamentary groups held by the non-communist opposition forces are Kaishin (innovation) with 127 seats, Komeito with 52, Koshi Kai with six and New Party Mirai with five.

Kaishin includes members of four parties—Shinseito, the Japan New Party, the Democratic Socialist Party and the Liberal Party.

Opposition officials also decided to launch an interparty panel on Sept. 28, prior to the extraordinary Diet session expected to be convened Sept. 30, to prepare for the planned merger to form the new party, they said.

The proposed panel would have an executive committee as its supreme decision-making organization, as well as a working group to be divided into six task forces—on administration, finance, policy, organization, electoral issues and public relations, they said.

The opposition camp is trying to merge parliamentary groups to prepare for the merger of the parties and groups in an effort to take power from the current coalition government.

Former Prime Minister Tsutomu Hata, who leads Shinseito, said earlier this month that a new party should be created by the end of October.

The opposition camp has sought to merge its forces into a new party since a former ruling coalition led by Hata surrendered power in late June to the current coalition government of Prime Minister Tomiichi Murayama.

Ozawa Retaliates Against Opposition Forces

Plans To Use 'Poison Gas'

942A0536A Tokyo SHUKAN GENDAI in Japanese 23 Jul 94 pp 30-33

[Unattributed article by team reporting: "Ozawa Plans To Destroy Murayama Coalition Government With 'Poison Gas'"]

[Text] *The strongman who manipulated the robot-like prime minister and controlled Nagata-cho by hiding behind the dual structure of political power is facing a big crisis in his political career. He has been obsessed with himself, using and discarding such men of big stature as Michio Watanabe and Toshiki Kaifu to maintain his own political muscle. Does he regard people around him just as his foot soldiers?*

Even His Colleagues Defy His "Secretiveness"

Internal conflicts have erupted within Shinseito, which fell from the governing to an opposition party status.

Dietman Koichiro Aino, who evoked a public flurry by becoming the first man to criticize Ozawa in public during the former coalition government's heyday, tells us his current thought:

"Even in the recent case of his support of Kaifu, we didn't know about it until after two o'clock in the afternoon on the day of voting to appoint a prime minister. Mr. Ozawa (Ichiro, secretary general of Shinseito) might have had contacts with Mr. Nakasone (Yasuhiro) and Mr. Watanabe (Michio), but he never kept us informed of this. As he has been so secretive even with his colleagues who have been working together for the same party, it is no wonder that we began to run into difficulty in maintaining the coalition itself. If he continues to behave like this, I don't think we will be able to go along."

Many party executives began to express similar complaints publicly. On 3 July, Dietman Akira Fukita, permanent executive member of Shinseito, criticized the Ozawa method severely during a press interview in his local district, Yamaguchi City: "He (Mr. Ozawa) has vitality and capability, but he tends to be impatient. As he didn't lay a groundwork this time again, he failed to get enough support for Mr. Kaifu." Then, on 5 July, Dietman Keiwa Okuda, executive at Shinseito who is becoming increasingly anti-Ozawa, said during a press interview to announce his resignation from the chair of Committee on Rules and Administration: "From now on, I'm going to work for Shinseito as a consultant. (As I was chairman on the Committee of Rules and Administration,) I refrained myself from attending such meetings as our party's Executive Council's. But, from now on, we must clarify our party's operating procedures and have opinions of our party members heard." He is determined to change his party's administrative procedure, which used to be dictated by Mr. Ozawa.

"He never tells us what he is planning to do. And, his attitude toward us is cold. Soon after Mr. Hata (Tsutomu) became the prime minister, Mr. Ozawa delivered a firm statement: 'The Hata cabinet will have to resign en masse after approval of the budget.' Some of our young party members voiced that they couldn't understand his attitude toward his own colleague. He told us that money was short and didn't even pay our semiannual bonuses."

These people talk about "policy agreements" and so on, but they seem to gather around where money is—their sense of value should be questioned. But, in any event, "Ozawa bashing" doesn't seem to ebb.

On 30 June, Mr. Ozawa disclosed his intention to resign from his post as secretary general of Shinseito. Dissuaded from resigning by the party's executives, however, he announced that he would take a "rest," instead he appeared to withdraw himself from the front line.

It is a well-known fact that whenever Mr. Ozawa said he would take a rest, he went into hiding to do some behind-the-scenes maneuverings, such as to create a majority party.

This time, however, he soon appeared in public. On 4 July, he attended a party to celebrate upper house Dietman Masakuni Murakami for publication of his book, who in defiance against a resolution of the Liberal Democratic Party [LDP] casted a blank vote in the recent election to appoint a prime minister. "Mr. Murakami is a friend of mine, who is always thinking of what to do for our country and people," said Mr. Ozawa.

It was unusual for Mr. Ozawa to attend a party for an LDP dietman. Was this a part of his strategy to attract as many dietmen as possible who are dissatisfied with the LDP-SDPJ coalition government?

Complete the Redistricting Project by the End of This Summer!

That evening, to work out a secret plan to regain political power, Mr. Ozawa, along with Messrs. Kozo Watanabe and Hiroshi Kumagai, had a meeting with executives of the old coalition leading parties, including former Chairman Makoto Tanabe of the SDPJ, Secretary General Yuichi Ichikawa of Komeito, Chairman Takeshi

Yonezawa of the Japan Democratic Socialist Party [DSP], and Chairman Kotaro Yamazaki of the Japan New Party's [JNP] Joint Plenary Meeting of party members of both houses of the Diet. He could no longer stay "hiding" behind the scenes.

According to some source, Chairman Takeshi Yonezawa, who attended the meeting, told his associates as follows:

"About 20 people gathered at the meeting. The LDP and the SDPJ will never be able to agree on their candidates for the next election, so their coalition will collapse. This being the case, we must try to strengthen our unity before then, with an aim to create a new New Party. That's what we talked about at our meeting, and we are now trying in full stride to select and agree on our candidates. Mr. Ozawa believes that 'we will be able to win under the single-seat constituency electoral system.'"

Echoing Mr. Ozawa's belief, Dietmen Hiroshi Imazu and Tsuyoshi Noda say as follows:

"There is not much disagreement among Mr. Ozawa, Mr. Watanabe, and us. As these two individuals say, we must create a party that can unite itself on policies" (per Mr. Imazu).

"With Mr. Murayama as prime minister, the relationship between Japan and the United States will go astray. It is a no-no to form a coalition between the LDP and the SDPJ—even Mr. Ozawa didn't attempt it" (per Mr. Noda).

According to them, the old coalition seems triumphant. However, Mr. Takayoshi Miyagawa, political commentator, doubts it:

"Mr. Ozawa and others think they will be able to win. But I think that's a bluff. According to my survey and taking the Shikoku region as an example, the LDP will win all seats in the [single] districts, and six out of seven seats under the system of proportional representation. On a nation-wide basis, Shinseito will be able to increase the number of its seats somewhat, but the other parties will have a difficult time."

Then, what kind of strategy are the old coalition parties, including Shinseito and Komeito, making to turn this unfavorable prediction into their favor? An executive of Shinseito says as follows:

"The anti-Ozawa coalition of the LDP, the SDPJ, and Sakigake will stay in power only up to the next general election. The Murayama coalition will collapse then. As there are only 300 seats in the single-seat districts, it is obvious that the current and former dietmen from the LDP and the SDPJ will fight against each other for these seats. Here, as our old coalition parties have 184 seats at present, we still have the remaining 116 seats to fight for. Therefore, we are planning to crash the LDP and the SDPJ by allocating those seats to the SDPJ's 'democrats' and the LDP's rebels."

Dietman Keisuke Nakanishi, an Ozawa sympathizer, is quite confident, saying that a step has already been taken:

"Nobody can stop the political restructuring. By forming a current coalition, the LDP and the SDPJ were plunging themselves into the wave of this political restructuring. Therefore, Mr. Ozawa was not shocked by this in any way. In order to create a new party to compete against the LDP and the SDPJ, our old coalition parties will assign candidates to all 300 seats in the single-seat districts. We will complete this task by the end of this summer. We will no longer have Shinseito or any other party. We will create a new party under a new banner."

A person close to former Prime Minister Toshiki Kaifu, who left the LDP, says as follows:

"Mr. Ozawa told us, 'Create a solid campaign basis on your side during this summer. I'm busy working on redistricting.' I realized that his taking a rest was for official announcement only. He has already started assigning candidates and analyzing future votes."

Their strategy is to firm up their ground before the LDP, the SDPJ, and Sakigake become serious about selecting and agreeing on their candidates. It is to crash the leading coalition parties, using area bombs—recruiting rebellious dietmen from the leading coalition parties and assigning them to those electoral districts where the old coalition parties do not have seats at present.

Preparing Also To "Recruit Yokomichi"

(Per an executive of an old leading coalition party:) "I don't think any dietman from the LDP will tolerate to be assigned to a proportional district for the sake of a dietman from the SDPJ. The same is true for the other way round. That's where we come in. Certainly, there will be some people who want to join our side because they are not selected as candidates or are assigned to proportional districts where they have no roots. If they don't come to us when they are not approved as candidates either by the LDP or the SDPJ and decide to run for an election as independents, they will fight for votes against each other. That will benefit us, too."

A dietman who rebelled against the LDP says that Mr. Ozawa has some other plans as well:

"In elections under the single-seat constituency electoral system, an image-based strategy becomes much more important than before. Then, it is crucial to have some people who can be put forward as representing the image of a party. We have Hata and Kaifu, who enjoy high support ratings. But we are also planning to bring in Hokkaido Governor Takahiro Yokomichi, who has a fresh and clean image. Mr. Makoto Tanabe is saying, also, 'Yokomichi will resign from his position as governor of Hokkaido in October and come to the center stage.' With these three people at the forefront, elections will be in our favor."

There is also a voice saying, "Behind the scenes, Ozawa is now recruiting TV personalities, entertainers, and intellectuals." Once in the past, such raconteurs as Sanshi Katsura and Bunchin Katsura were mentioned as possible candidates. Are these kinds of people they are trying to recruit now?

(Per an executive of Shinseito:) "Most of the candidates from the LDP and the SDPJ will likely be in their old age. Here, as our former coalition parties have new and young candidates who have a good image, we have some advantage. The reason why Ozawa says that we will win under the single-seat constituency electoral system is that analyzing from every which way, we have advantages. Ozawa is now busy trying to recruit candidates."

Taking a "rest," therefore, is Mr. Ozawa's favorite camouflage. Yet, Dietman Norio Sugiyama of Shinseito says that he wants to challenge the LDP and the SDPJ squarely without resorting to any stopgap measures:

"Without any external pressure, they will bring about their own destruction in the next election. We are not planning to go after them with scandalous and groundless accusations as they did to Mr. Hosokawa. Pointing out contradictions in their political attitudes and policies will be all what we have to do. They criticize Itchan (Ozawa) as autocratic. But Ozawa is the only one who has a view of the future and comes up with a clear policy direction."

On the other hand, there is another voice:

(Per a person associated with the LDP:) "The old coalition parties have already begun to agitate the SDPJ. First of all, they are intentionally spreading a rumor that "the LDP will cut off its tie with the SDPJ in the next election." And, they are also telling people a plausible scenario that they will make a nonconfidence motion as soon as an extraordinary session of the Diet begins on 18 July. They will probably present such reasons as the cabinet's internal disagreement over the Japan-U.S. Security Treaty issue and its ineptness in carrying out the tax cut without planning for a new source of revenue. By spreading such rumors, they are attempting to induce some more members [of the current coalition parties] to leave their parties. They are spreading fictitious but plausible information although this is not an unusual practice in Nagata-cho. They are using 'poison gas' in the form of information. Although the old coalition parties are saying that they will not leak any scandals, are thy going to be able to defeat the LDP and the SDPJ without doing so? I'm sure they will set up some traps."

"Ozawa's Headlong Action" Will Lead to a Bloodshed

In recruiting people from the opposing camp, practices considered common in Nagata-cho are to use money and promises for future posts as baits and to spread scandals in the form of mysterious documents. These are Mr. Ozawa's favorite tactics. But some people believe that these tactics will be used garishly this time.

A dietman who rebelled against the LDP says that the following dietmen will leave the LDP like those who already submitted their notices of leaving the party, including Toshiki Kaifu, Yuji Tsushima, Akihiko Noro, Atsushi Noda, and Hiroshi Imazu:

"Koji Yasuoka, Michio Watanabe, Seiichi Hamada, Toshikazu Yamaguchi, Tsutomu Takebe, Tokuhiko Akagi, and Muneo Suzuki will leave the party. If we stay with such conservatives as Noboru Takeshita, Seiroku Kajiyama, and Takayuki Sato, who planned the recent coalition, we will not be able to move our political situation forward."

Ever since Shinseito was formed, Mr. Ozawa has been trying eagerly to break up the LDP and the SDPJ. He has been doing so frantically as if he believed that it was the only way to carry out political reform and the restructuring of the political sector. But his headlong action resulted in his failure to bring in Mitchy [Michio Watanabe] created the "Kaishin [Reformation]" scandal without involving the SDPJ and made the Hata cabinet a minority government.

Also, in the case of the recent nomination of a prime minister, although he was successful in convincing Mr. Kaifu to run for the prime ministership, he was unable to break up the LDP and the SDPJ—so far, everything has gone against him. In short, whatever he tried to do became a cause for political chaos.

In the past, however, he had political power as a backbone. Now, for the first time in his political career, he is not in the center of political power—he has become a "wounded lone wolf." What is the strongest "poison gas" he is secretly planning to use?

(Per a copy editor covering political affairs:) "That is Mr. Ozawa leaving Shinseito and becoming a nonpartisan. If that happens, the old coalition will be able to create one big party with ease. As Mr. Ozawa used to say, "Once we create a framework for a two-party system, I will quit any time," he should be able to do that. Although if that happens, Mr. Ozawa will become the strongest of behind-the-scenes strongmen, and the political condition will become quite unwholesome, having a multiple power structure much worse than before."

In the meantime, some people have begun to complain as follows: "Within the Diet Affairs Committee, there is a spy connected to Ozawa, leaking every information."

As Mr. Ozawa seems to be headlong more than ever in trying to break up the LDP and the SDPJ, the political sector is likely to experience a bloodshed—another ugly struggle for political power.

Redistricting To Counter Defectors

942A0536B Tokyo SHIKAN GENDAI in Japanese 30 Jul 94 pp 50-51

[Unattributed article: "Mr. Lonely Ozawa's Restless Summer Vacation; Aims for a Big Turnaround by Redistriction of Electoral Districts?!"]

[Text] The people from the old coalition parties continue to "leave Ozawa" these days. Those politicians who gathered around Ichiro Ozawa, secretary general of Shinseito [Japan Renewal Party], like plants and trees being blown by the wind to the same direction during the Hosokawa and Hata government are now leaving him like rats escaping from a sinking ship.

(Per a Dietman from Shinseito:) "At this point, like-minded members of our party are discussing whether it is possible to reestablish Shinseito. But, now, I believe we have to recreate Shinseito in the true sense of the party's name."

According to this dietman, 11 members have already decided to leave the party. These include Keiwa Okuda, former chairman of the lower house's Committee on Rules and Administration and such former cabinet members as Koichiro Aino, Hajime Ishii, Kazuo Aichi, Sadao Ioku, Toshihiro Nikai, Ichiro Takahashi, Morio Kimura, Masami Tanabu, Masayuki Okajima, and Akira Fukita.

They are said to be timing their departure from the party to create a new party and to join hands with the LDP, or even to rejoin the LDP. Asked about the possibility of a breakup of Shinseito, Dietman Koichiro Aino, a member of the party, said evasively, "Well, I can't say much on that." However, he repeatedly criticized Ozawa as follows:

"I thought Mr. Ozawa would stay behind the scenes in repentance. But he has been having meetings with executives of the old coalition parties, Makoto Tanabe of the SDPJ, and so on. Probably, as a representative of Shinseito, he is talking with those people on how to cooperate with each other in future election campaigns. But I can't understand why he does all this without telling us members of the same party."

As if to support this criticism, Dietman Kazuo Aichi said at a meeting on 13 July, breaking his silence: "People think of Shinseito as Ichiro Ozawa himself. That's a major misconception."

Mr. Ozawa uses his personal office in Kioi-cho as a key station for his activities. But the members of Shinseito who can visit that office seem to be limited to Dietmen Kozo Watanabe and Hajime Funada. Is Mr. Ozawa not aware of the fact that this kind of secrecy is driving people away from him? Or, is he thinking that those who want to leave him should do so anyway?

In any event, as Shinseito is in such a predicament, it is easy to guess what may be happening at the other old coalition parties. On 12 July, the people who left the LDP had their first meeting. Those who gathered at the meeting were from four groups—former Prime Minister Toshiki Kaifu's group, the Liberal Party, New Party Mirai [Future], the old Reform Group. Here, a dietman from the Liberal Party confided weakly, "I'd like to return to the LDP."

(Per one of the Dietmen who attended the meeting:) "In essence, it was a meeting for the people who wanted to know how everybody was thinking about Ichiro Ozawa. Anyway, their former ambition to unite themselves under Ozawa completely disappeared."

Makoto Tanabe, former chairman of the SDPJ, had been having many meetings with Mr. Ozawa and casted a blank vote in the recent election to nominate a prime minister against his party's resolution. At a meeting with Mr. Ozawa and others on 11 July, he pointed out the case where the people in the old coalition were suddenly asked to vote for former Prime Minister Kaifu in the nomination election without having been told about this in advance. Then, he denounced and parted with Mr. Ozawa by saying, "I can't work with people who employ this kind of undemocratic political method."

As a saying goes, the end of money is the end of love. Are the people saying that once a strongman—Mr. Ozawa—loses his political power, he is of no use? If so, Mr. Ozawa is truly "Mr. Lonely" in the political sector.

In the midst of all this, Mr. Ozawa announced that he was invited by the National Press Club to visit the United States from 25 July. However, the only event scheduled for his visit was his lecture in Washington, D.C.; there were no other plans, such as meetings with high-ranking U.S. Government officials. This prompted a rumor that he might confine himself in a hospital in the United States.

(Per a person working for Shinseito:) "It's been said that he might check into a hospital in August. His wife Kazuko tried to persuade him to use a hospital in Japan by saying, 'This will be a great chance for you to undergo a coronary by-pass surgery. If you do, please do it at a hospital in Japan so that we'll have no worry.' But he seems to have decided to do it abroad. Probably, he thinks that he won't be able to keep secrets at a hospital in Japan. I've heard that he received medical treatments abroad before at such places as the Bethesda Naval Hospital in the United States, the Royal Prompton Hospital in London, England."

Although Mr. Ozawa stated that he would take a "rest" after submitting his letter of resignation from his position as secretary general of Shinseito, his recent activities have been nothing but taking a rest. He has been very active both in the front line and behind the scenes in order to regain his political power.

The sole objective of his activities is to select and decide on candidates for the next election. Now that the LDP, the SDPJ, and Sakigake have formed a majority coalition, a turnaround in the next election is his only hope for returning to the helm. For him, everyday is like a struggle against formidable difficulties just for the sake of vengeance.

(Per an executive at Shinseito:) "Mr. Ozawa has been saying, 'I can't be resting. My best means to regain political power is to win in uniform local elections, an election for the upper house, and the next general election under the new election system.'"

"I'll Settle the Matter in Elections"

It is said that Mr. Ozawa already has a plan of redistricting that is almost complete, and that he has been writing down the names of candidates on it. According to a source, he has already selected 250 candidates, with the remaining 50 candidates to be selected, and he keeps saying, "I want Shinseito to capture 100 seats, or more than 80 seats at least. To accomplish that, I must recruit more than 40 new candidates and more than 30 individuals who lost in the past election or changed their party affiliation." To achieve his objectives, he has been holding meetings energetically everyday. On 8 July as a go-between, he attended the wedding of his private secretary and the daughter of upper house Dietman Sadao Hirano. Following the wedding, he had a meeting with Dietman Keisuke Nakanishi of Shinseito, upper house Dietman Sadao Hirano, General Secretary Yuichi Ichikawa of Komeito, upper house Dietman Takenori Enomoto of the Sports Peace Party, nonpartisan Dietman Toshio Yamaguchi, and so on. According to Dietman Hiroyuki Nagahama of the JNP who attended the meeting, Mr. Hirano said, "I would like to make use of whatever the power we have," showing his desire to maintain the cooperative relationship among the old coalition parties.

(Per a person close to Mr. Ozawa:) "He probably had meetings with more than 30 people" on 12 July—Mr. Ozawa had meetings with Representative Michihiko Shikano of the New Party Mirai [Future], Dietperson Yuriko Koike of the JNP, a group of politicians who lost in the last election, new candidates, and so on. He is acting up as if an election were to be held tomorrow.

In response to Mr. Ozawa's activities, young dietmen from the old coalition parties, albeit small in number, are going to launch a "Group of Young Dietmen Aiming to Regain Political Power" on 18 July. The group seems to be a gathering of supporters of Ozawa. Dietman Shigeru Ishiba of Shinseito, member of the group, explains its objectives as follows:

"We must grow out of our tendency to leave everything in Mr. Ozawa's hands. Mr. Ozawa used to say, "I will create a new party with like-minded people," and I think the groundwork is now complete. From now on, Mr. Ozawa will be a man who leads public opinions in such conceptual areas as the vision of a nation."

However, as mentioned earlier, the old coalition parties are wavering, and they don't seem to be able to unite themselves. Dietman Nagahama, quoted earlier, guards himself against Shinseito's leadership, and says, "Rather than autocratic politics, we must create a true reformist coalition with the JNP—a harbinger of new parties—at its center for people-oriented policies."

Despite such a cautionary environment, Mr. Ozawa is planning to "use all the power of the old coalition parties" in the supplementary election for the upper house in Aichi Prefecture to fill the seat vacated by Dietman Shoji Shinma (who will most likely be judged guilty by the Supreme Court for falsification of his academic record). He "considers it as the Reform New Party's debut fight" (per Dietman Ishiba). Mr. Ozawa has already asked the eldest son of former Prime Minister Kaifu to run in the election. Certainly, he seems to be indifferent about his appearance in order to counterattack his enemies.

During the election to appoint a prime minister, Mr. Ozawa was betrayed by former General Secretary Hirotaka Akamatsu, a "democrat" from the SDPJ. Then, he was abandoned recently by Mr. Makoto Tanabe. Enraged, he is said to be telling everyone that "I'll not count on the SDPJ. I will settle the matter in future elections."

According to some source, he is grinding his teeth because of new enemies: "Eleven members of our party (Shinseito) may be leaving us. I'm going to pick opposing candidates against all of them."

While having a health problem at the same time, Mr. Ozawa is planning for a big turnaround to win back political power. He is likely to spend a restless summer vacation.

* Rengo Chairman Criticizes Coalition Government

942A0629A Tokyo GENDAI in Japanese Sep 94 pp 94-95

[Interview with Rengo Chairman Akira Yamagishi by Kazuyuki Kanamori in "Keyperson" column; place and date not given: "The LDP-SDPJ Coalition Government Is Like a Comic Strip"]

[Text] [Kanamori] It was assumed that in all probability the Social Democratic Party of Japan [SDPJ] would return to the former coalition. Why did it become a Liberal Democratice Party [LDP]-SDPJ coalition?

[Yamagishi] Tha axis of coordinates for this time's drama of change in government was not principle or policy; it was whether one is for or against Ichiro Ozawa and Yuichi Ichikawa. The truth is that, in deliberation on policy, the SDPJ, which was particularly thoroughly abandoned by Ozawa (Shinseito secretary general), ended up without a home. And, therefore, it tottered toward the LDP, although there was no historical necessity for the SDPJ to join hands with the LDP.

Well, since the advent of the Hosokawa coalition government on 9 August 1993, the SDPJ continued to be tormented by Ichiro Ozawa and Ichikawa Yuichi for eight months. I do understand their feelings at that time, but to do something like develop Japan's politics because of a grudge is like a comic strip. The LDP-SDPJ coalition government is nothing but a staged event. After assuming office as prime minister, Murayama said that he wanted to present his compliments to me, so I met him at his official residence, and he did not make a total denial.

[Kanamori] General Secretary (Wataru) Kubo of the reform faction of the SDPJ and all the democrats ended up losing their nerve, did they not?

[Yamagishi] The members who promoted the LDP-SDPJ coalition government are the group in the left wing or the extreme left wing. People say that two extremes get along each other, but I am so disgusted that I am speechless. The logic of the left wing made opposition to Ichiro Ozawa and Ichikawa Yuichi a unifying force by saying that joining with the LDP is better than joining with Ozawa and Ichikawa. It is faulty logic. In contrast to that, Kubo resisted to the very end, saying: "there cannot be such a thing as an LDP-SDPJ coalition government," but none of the democrats could create a setup to support that. They flinched because they feared that, if they thoroughly resisted an LDP-SDPJ coalition, they would be branded by people saying "You guys are in collusion with Ozawa and Ichikawa, aren't you?" After the LDP-SDPJ coalition government was established, seeing on television the images of SDPJ left-wing Diet members rejoicing with LDP Diet members, slapping their backs and having their backs slapped by them, I was sadly shocked, thinking: Has the Social Democratic Party of Japan, too, fallen this far?

[Kanamori] Prime Minister Murayama has changed the SDPJ's characteristic basic policies by 180 degrees, saying such things as "the Self-Defense Forces are constitutional" and "we will abandon unarmed neutrality." There are some who say that he is displaying a posture of cozying up to the LDP, and suggest that this policy will continue for a long time.

[Yamagishi] The prime minister is the chief of the "three military services," so if he said he did not know whether the Self-Defense Forces are constitutional, it would not be accepted, and there would be no grounds for him to be fit for the job of chief of "the three military services." He is not permitted to make the distinction, as did cabinet ministers in the Hosokawa government, that: "As a cabinet minister, they are constitutional, as a party member, they are unconstitutional." It is the inevitable result of having taken governing power. It has begun to turn out the way I have been asserting for the last 10 years; I have nothing to complain about, but after all, the arrangement is backward, and is not clear cut.

The question is whether the big change in basic policy can be agreed upon officially at the special SDPJ conference on 3 September. Because there is the public's suspicion that if the chairman is replaced and the party leaves the government, things might change completely again and lose everything up till now. Unless the party conference can agree on what Murayama has declared, this cabinet will not last. It would not be able to surmount the difficulties of the autumn special session of the Diet, and would be forced into general resignation of the cabinet.

Leadership by SDPJ Is Doubtful

[Kanamori] The head of the Murayama government is the SDPJ, but its body is the LDP. Will not it be a very difficult feat to make it a government led by the SDPJ?

[Yamagishi] I am apprehensive that leadership by the SDPJ is doubtful. Even on the question of official worship at the Yasukuni Shrine, Murayama cannot inspire the slightest circumspection in cabinet ministers, because Ryutaro Hashimoto is telling him to "go." In tax reform, too, the LDP's real intention is probably to raise and lower taxes as a package along to the Finance Ministry line, and even if Murayama tries to bring out something suitable to the SDPJ by reducing spending on defense, he will obviously encounter LDP opposition. In regard also to the question of becoming a permanent member of the UN Security Council, there is the danger of it being taken onto the pace of the LDP and the Ministry of Foreign Affairs. Concerning North Korea as well, it is uncertain whether Murayama will be able to bring it to a policy line of peace by negotiation...

[Kanamori] The parties that Rengo supports (SDPJ and Japan Democratic Socialist Party) were terribly punished by the advent of the LDP-SDPJ coalition government. The local industrial unions that are members of Rengo also split into those who "support and do not support Murayama," so managing things is very difficult. What outlook does Rengo have for political circles?

[Yamagishi] Rengo's difficulties are not something that began just now; there has been a succession of difficulties ever since Rengo's formation. But the advent of the LDP-SDPJ coalition cabinet can very well become a negative factor for Rengo solidarity. We will approach the Murayama government with a fair and just position, but in elections it would be unwise for the member unions to go to bat with the SDPJ and DSP.

The only way to solve that is the tripolar concept. In the past I have said that it was the three poles of the LDP, non-LDP conservatives, and liberals, but after this it will be the three poles of conservative-faction conservatives, reform-faction conservatives, and liberals. Liberal applies to the SDPJ, excluding its conservative wing, the DSP, the Japan New Party, the New Party Sakigake [Harbinger], Jiyuto [Liberal Party], the New Party Mirai [Future] and those who leave the LDP in the future.

[Boxed item: *Akira Yamagishi: Chairman of the National Confederation of Trade Unions (Rengo). Born 1929 in Osaka Prefecture. Became chairman of Rengo in 1989 after serving as chairman of the Central Executive Committee, All-Japan Telecommunication Workers' Union.*]

Coalition Parties Approve Anticorruption Bill

OW2109094694 Tokyo KYODO in English 0739 GMT 21 Sep 94

[Text] Tokyo, Sept. 21 KYODO—Three coalition parties Wednesday [21 September] approved an amendment to the Public Office Election Law aimed to plug some of the loopholes in the law against vote buying, coalition officials said.

The amendment addresses the issue of invalidating election victories of candidates whose election managers are jailed for buying votes.

It was drafted chiefly by the Liberal Democratic Party (LDP) and approved by two coalition partners, the Social Democratic Party and New Party Sakigake.

The proposed legislation will be submitted to an extraordinary session of the Diet, expected to convene Sept. 30, the coalition officials said.

One clause calls for the amendment to go into effect in time for the next parliamentary election. A regular election for the House of Councillors is scheduled for next summer.

The amendment will likely pass as the opposition parties agree tougher legislation is needed to crack down on election fraud.

The proposed legislation widens the scope of election fraud to cover not only family members and political secretaries of a candidate, but also the chiefs of candidates' support groups, the chairmen of prefectural party chapters to which candidates belong and labor unions as well.

The law would still stipulate that an election victory of a candidate can be nullified only if any of these people are found guilty of buying votes and imprisoned without probation.

If such election managers or supervisors are imprisoned without suspended jail terms, the affected candidates will be barred from contesting any elections over a period of five years, since campaign fraud convictions have been established by higher courts even in the case of successive appeals.

In an effort to address the difficulties authorities face in proving the culpability of candidates giving volunteer campaign workers money and instructing them to buy votes, the new law would regard money spent by volunteers as part of the candidate's total campaign expenses.

The amendment was sketched out after Prime Minister Tomiichi Murayama, soon after his inauguration as premier, rapped the political reform bills passed in January as lacking the teeth to stop election fraud conspirators from buying votes.

Further Reportage on Condition of Economy

MOF Survey 'Proves' Recovery

OW1909095894 Tokyo KYODO in English 0937 GMT 19 Sep 94

[Text] Tokyo, Sept. 19 KYODO—A quarterly corporate survey proves that the Japanese economy is recovering, Vice Finance Minister Jiro Saito said Monday [19 September].

The latest corporate survey for the April-June quarter released earlier in the day by his ministry "was in line with assessments made by the Economic Planning Agency," Saito told reporters.

The agency said in its latest monthly economic report that the economy is heading gradually toward a recovery, effectively declaring an end to Japan's longest postwar recession of 40 months.

Pointing to the first year-on-year rise in nine quarters in sales and the first rise in 16 months for pretax profits of manufacturers, Saito said, "the upturn in earnings of manufacturers is indeed a bright factor."

BOJ Reiterates Trends

OW2009114194 Tokyo KYODO in English 1119 GMT 20 Sep 94

[Text] Tokyo, Sept. 20 KYODO—Japan's economy is headed for recovery, though the sustainability of the recovery and its tempo remain uncertain, the Bank of Japan (BOJ) said Tuesday [20 September] in a monthly report reviewing the nation's monetary and economic trends.

The central bank reiterated that its economic views are unchanged from a month earlier, citing in the report strong housing investment, recovering personal consumption, gradually increasing production and improving business confidence.

The report also noted that although corporate capital spending continues to be weak in both the manufacturing and nonmanufacturing sectors as a whole, some leading indicators have begun to show signs of bottoming out.

At the same time, it said these developments have been somewhat influenced by temporarily favorable factors such as income tax cuts and the scorching summer.

On personal consumption, the report said sales of household electrical appliances, particularly of air conditioners, as well as summer clothing, increased thanks to a record-breaking heat wave.

The level of new passenger car sales increased for two months in a row in July and August, and sales in early September are also doing "considerably well," a central bank official said.

As for reduction of inventories, the official expressed a more optimistic view, saying that the adjustment phase has proceeded steadily and that it is nearing completion in many industries.

EPA on Recession's Low Point

OW1609144294 Tokyo KYODO in English 1354 GMT 16 Sep 94

[Text] Tokyo, Sept. 16 KYODO—The Economic Planning Agency (EPA) said Friday [16 Sep] it will convene a study committee on Sept. 30 to determine when Japanese economic activity reached a low point in the contraction phase of the current business cycle.

The committee of economic experts will judge in which month individual indicators, such as industrial production, department sales and the effective labor demand-to-supply ratio, reached a low point.

It will then determine in which month overall business activity hit bottom, officials said.

A final analysis is not expected until the yearend, the officials said.

Last year the EPA made a tentative judgment that business activity peaked in April 1991 and the contraction phase got under way the following month.

Corporate Earnings Improve

OW1909084394 Tokyo KYODO in English 0755 GMT 19 Sep 94

[Text] Tokyo, Sept. 19 KYODO—A survey of Japanese corporate earnings showed further improvement in the April-June quarter, the Ministry of Finance [MOF] said Monday [19 September], partially confirming that the economy has started to recover since the latest reporting quarter.

The April-June figures did not point to an overall economic recovery as they only represented "partial improvements," with capital investment remaining sluggish, a ministry official told reporters.

But citing other more recent statistics, particularly those indicating that capital investment has bottomed out, the official said the economy is now headed moderately toward recovery as stated in a monthly economic report by the Economic Planning Agency (EPA).

In the latest August report, the EPA effectively declared an end to Japan's longest postwar recession of 40 months.

The quarterly survey of corporate activities showed that manufacturers posted the first year-on-year increases in nine successive quarters for sales, gaining 0.3 percent, and the first increase in 13 quarters for pretax profits, up 7.6 percent.

Nonmanufacturers also marked the second consecutive quarter of higher sales, rising 0.9 percent, although the decline in pretax profits widened to 3.9 percent from the previous 1.9 percent for the second fall period in a row.

The survey covered 24,469 companies capitalized at a minimum of 10 million yen, excluding financial institutions and insurance companies. The respondents totaled 20,641 firms, or 84.4 percent.

Money Supply Grows 2%

OW1909114094 Tokyo KYODO in English 1117 GMT 19 Sep 94

[Text] Tokyo, Sept. 19 KYODO—Japan's broadly defined money supply grew at an average pace of 2.0 percent in August from a year earlier, the Bank of Japan (BOJ) said in a preliminary report Monday [19 September].

The pace of the growth in the broadly defined money supply—M2 (cash in circulation and time and demand deposits) plus certificates of deposit (CDs)—Was the same as in July.

The broad measure of liquidity, including postal savings, government debts and investment trusts, rose 3.6 percent in August from a year earlier, compared with a preliminary 3.4 percent rise in July.

An official at the BOJ's Research and Statistics Department said the relatively high money supply growth in August was attributed to fiscal factors such as this summer's tax cuts, though fund demand in the private sector was still slack.

The official said the money supply's underlying trend has not changed greatly and predicted the trend would likely continue for a while.

Within the money supply figures, time deposits rose 1.3 percent in August from a year before, compared with the 1.0 percent gain in July, reflecting a growth in large-lot time deposits at financial institutions.

In contrast, CDs fell sharply by 22.5 percent from the year before following an 11.2 percent yearly decline in July due to financial institutions shifting sources of fund from CDs to large- lot time deposits, the official said.

The seasonally adjusted M2 plus CDs for August increased at an annualized 1.1 percent on a preliminary basis after a revised 6.6 percent gain in the preceding month.

Household Spending Rises

OW2009063794 Tokyo KYODO in English 0525 GMT 20 Sep 94

[Text] Tokyo, Sept. 20 KYODO—Japan's household spending in July posted the first year-on-year net rise in six months although the growth rate was a meager 0.1 percent, the government reported Tuesday [20 September].

The Management and Coordination Agency said the average spending per household stood at 344,721 yen in July, up 0.1 percent in real terms but down 0.3 percent in nominal terms.

Spending by wage-earner households remained unchanged, the agency said.

It said the year-on-year net rise followed five consecutive months of declines, down 0.5 percent in February, 4.3 percent in March, 0.8 percent in April, 1.7 percent in May and 0.9 percent in June.

Expenditures for furniture and household goods climbed 23.0 percent while medical costs grew 5.2 percent, the agency said.

Spending for foods accounted for 80,793 yen, down 1.9 percent in nominal terms and down 0.4 percent in real terms, it added.

Industrial Output Down 1.7 Percent in Jul

OW1609061394 Tokyo KYODO in English 0535 GMT 16 Sep 94

[Text] Tokyo, Sept. 16 KYODO—Japan's industrial production dropped 1.7 percent in July from the preceding month, unchanged from an earlier report, the Ministry of International Trade and Industry (MITI) said Friday [16 September].

The downswing followed a 2.7 percent rise in June.

The seasonally adjusted production index for the mining and manufacturing sectors stood at 90.6 against the base of 100 for 1990, MITI said in a revised report.

The shipment index, given as 93.5, decreased 1.2 percent from June, unchanged from the preliminary report released in late August.

The inventory index, at 101.6, fell 3.1 percent, was also unchanged from the earlier report.

The index of the inventory-to-sales ratio, at 113.7, edged up 0.6 percent, compared with a 0.5 percent gain in the earlier report.

Before adjustments, industrial production in July fell 0.6 percent from a year before while shipments rose 1.2 percent.

Unadjusted inventories slid 6.6 percent and the inventory-to-sales ratio dropped 5.3 percent.

Harumi Takahashi, chief of MITI's Statistics Analysis Division, said the overall trend of Japan's industrial output basically remains the same from the preliminary report.

It is the first time that all of the three key indicators have shown identical results to those in a preliminary report, she noted.

The manufacturers' factory utilization ratio decreased 2.4 percent in July from the previous month, scoring the 41st consecutive month of decline.

In July, production of chemicals, paper-pulp and precision instruments climbed among the 15 industrial sectors. But almost all of the rest slid, with transportation equipment and ordinary machines registering marked drops.

On the shipment front, electrical machines, foods and tobacco and petroleum products increased. But most of the remainder fell.

Inventories slid among transportation equipment, electric machines and foods and tobacco. Gainers included chemicals and paper-pulp.

Residential Land Prices Fall 1.2 Percent

OW1909084494 Tokyo KYODO in English 0810 GMT 19 Sep 94

[Text] Tokyo, Sept. 19 KYODO—Japan's residential land prices sagged an average 1.2 percent and commercial land prices fell an average 6.7 percent in the 12-month period that ended July 1 from the preceding 12-month period, extending their slides to a third straight year, the National Land Agency said Monday [19 September].

The decline marked the first time since the agency started compiling such statistics in 1975 that Japan's residential and commercial land prices underwent a decline for three straight years.

Residential land prices in Japan's three major metropolitan areas encircling Tokyo, Osaka and Nagoya dropped an average 4.5 percent.

However, the rate of decrease slowed to less than half that of the preceding 12-month period when residential land prices saw an 11.6 percent drop, the agency said.

The average frequency of land transactions in the 12-month period staged the first upturn in four years, when the burst of the "bubble economy" put a damper on land deals.

An agency official said, however, that the agency "cannot say whether land prices have bottomed out" in view of still high prices that "have outstripped" the growth of the annual incomes of Japanese households in recent years.

The average price of 1 square meter of residential land in the Tokyo area was 322,800 yen as of July 1 for a year-on-year drop of 7.8 percent.

Tokyo's 23 wards saw an average 11.2 percent decline in residential land prices, while residential land prices in neighboring Chiba Prefecture fell 5.1 percent.

Those in Kanagawa and Saitama Prefectures slipped 3 percent.

Residential land prices in Osaka and surrounding areas such as Kyoto and Nara Prefectures fell 4.6 percent on average to 271,400 yen. In Nagoya and surrounding area prices fell 6.0 percent to 143,700 yen.

Average residential land prices in prefectures beyond the major metropolitan areas dipped 0.1 percent, the agency said.

The number of prefectures posting drops in residential land prices in the latest 12-month period was 24, down from 27 in the preceding period.

An agency official predicted that although land prices "will decrease in the ritzy residential areas and commercial areas located in the center of the metropolitan areas in coming months due to few transactions, those in other areas will remain flat or sag only marginally."

By area, a part of Sanbancho in Tokyo's Chiyoda Ward had the highest residential land prices with 1 square meter of land priced at 5.83 million yen, the agency said.

Analysts suggested the yearly slides in Japanese residential land prices since the burst of the bubble economy appears to be coming to a halt in view of the slowdown in the rate of year-on-year decreases.

Economy Retreats 0.4 Percent Apr-Jun

OW2109093394 Tokyo KYODO in English 0900 GMT 21 Sep 94

[Text] Tokyo, Sept. 21 KYODO—The Japanese economy retreated 0.4 percent in the second quarter of 1994 from the preceding three-month period, with an annual growth rate of minus 1.6 percent, the Economic Planning Agency said Wednesday [21 September].

"The quarterly setback reflected the period's economic conditions which remained broadly sluggish with some bright signs emerging," said Tsutomu Tanaka, vice minister of the agency, judging the April- June period as the final stage of the slump.

Japan's inflation-adjusted gross domestic product (GDP) during the April-June period amounted to annualized 421,093.2 billion yen.

The 0.4 percent quarterly fall was also in reaction to the 1 percent growth in the first quarter of 1994, when production and sales were increasing ahead of corporate book closing for the business year ending March 31, Tanaka said.

While declining to judge when the economy touched bottom, Tanaka expressed optimistic views for the July-September quarter, saying, "Bright economic signs are spreading after the April-June quarter."

The effects of income tax cuts, conducted in June, did not appear yet during the second quarter but helped recover private consumption in July and August, together with the help of the scorching summer, Tanaka said.

At the same time, Tanaka cited as remaining concern and uncertainty developments of foreign exchange rates and their impact on the economy, and the pace of still ongoing adjustment in manufacturing equipment and employment.

Of the 0.4 percent fall for the second quarter, domestic demand accounted for 0.1 percent, while external demand contributed 0.3 percent.

Consumption decreased 0.7 percent to 246,685.5 billion yen for the first quarterly fall since the same quarter in 1993, when it declined 0.6 percent. An agency official attributed the fall mainly to poor demand for food and beverages, and clothing.

Plant and equipment spending fell for 11 straight quarters in a row, down 2.5 percent to 74,025.3 billion yen. Smaller businesses, particularly nonmanufacturers, cut their capital spending sharply, the official said.

Housing investment increased 10.5 percent to 22,454.3 billion yen, posting the biggest growth in 19 years since the corresponding quarter of 1975, the official said.

Tanaka expects the high level of housing investment to essentially continue for some time.

The real gross national product (GNP) in the second quarter fell 0.3 percent from the previous quarter to post an annualized 1.2 percent decline. Of the data representing the total output of goods and services, GDP excludes income from overseas.

To attain the government's projection of 2.4 percent real GDP growth for fiscal 1994, which ends next March, an average growth of 1.54 percent, or an annualized 6.3 percent, is necessary in the remaining three quarters, the agency said.

Tanaka said it may be possible to achieve the official forecast given the economy is headed for recovery, though there is still a lack of factors needed to make a definite judgment.

The 0.4 percent dip was almost within expectations of economists.

"The fall was only a natural response to the high levels seen in the preceding quarter," said Tatsuo Yasukawa, chief economist at Sanwa Research Institute.

His institute sees the economy as having hit bottom in the October-December quarter last year, and mildly recovering in the January-March quarter, Yasukawa said.

As many economists predict, Yasukawa expects consumer spending to pick up in the July-September quarter thanks to the hot summer and tax cuts.

On capital spending, however, Yasukawa said, "We can't tell for certain yet," though he added the drops in such spending should begin to slow down by fall.

Since companies invested too much during the years of the "bubble" economy, there has been a natural adjustment in capital investment, Yasukawa said.

Another economist at Hamagin Research Institute, who asked not to be named, said, "I suppose the restructuring efforts among companies is continuing to dampen spending in plant and investment."

Even if profitability begins to improve, many corporations may still hesitate to step up capital spending, he said, but the margin of the decline is likely to get smaller by the end of the year.

For the future outlook, Yasukawa said, "We can pin our hopes on the effects of public spending and the strong housing demand."

Editorial Criticizes Government Economists

942A0693A Tokyo YOMIURI SHIMBUN in Japanese 10 Sep 94 p 3

[Editorial: "Although 'Declaration of Business Recovery' Was Made"]

[Text] In its monthly economic report, the government declared a virtual "economic recovery." Official confirmation of the bottoming out of the recession will be released later in connection with a meeting held by the committee to review and designate the economic base period, but the monthly economic report indicates that the recent recession lasted for 40 months and was the longest and worst recession in the postwar period, exceeding the severity of the 36-month worldwide recession caused by the second petroleum crisis.

However, the lagging recovery in capital investments and the worsening employment picture indicate that we are not completely out of the woods. As a means to dispel the concerns of the public, the government should take early action to clarify its basic policies in the area of tax system reform accompanied by measures to provide for adequate fiscal resources, increases in the basic public works program, and deregulation.

The recent recession was caused primarily by dropping sales of consumer durables such as automobiles and domestic appliances to households, cuts in capital spending because of corporate restructuring, and balance sheet adjustments required by the creation of huge amounts of nonperforming loans accompanying steep drops in land and stock values.

Financial institutions suffered substantial setbacks, while spiraling declines in management psychology have manifested themselves in the form of cuts in new hires. However, the recession seems to have been exacerbated by a series of misjudgments and lagging countermeasures by policy authorities.

The Heisei boom ended in April 1991, but the government declared in October of that year that "in August the current economic boom tied the longest postwar boom, the 'Izanagi Boom,' of 57 months duration." The monthly economic report continued to state that the economy would sustain its "expansion" until January 1992.

Although corporations questioned such pronouncements, officials of the Economic Planning Agency refuted skepticism with statements such as, "Where do you see signs of a recession?" "No country has ever ceased to exist because of a recession."

Further, in reference to sharp declines in land and stock values, policy authorities in large part asserted, "Newcomers from the bubble period will disappear, but the real economy will be affected only minimally." We can only say that such theories were strange and far removed from the real economic experiences of the general public.

Difficult fiscal conditions and political confusion led to lagging countermeasures. As a result, the summer 1992 comprehensive economic measures package kicked off a continuing series of project spending totaling 45 trillion yen, but in an untimely and hardly perceptible manner.

The economy is said to consist of collective changes in prices, interest rates, wages, and other quantitative measures such as production volume, capital volume, and employment levels involving economic components such as material goods, money, and human resources. Further, leading economic indicators reflect movements in money (financial and capital markets), coincidental indices reflect movements in material goods (supplies and services markets), and lagging indices reflect movements in human resources (labor markets).

There is persuasiveness in private-sector economists' criticism that the most serious factor leading to government miscalculations about the economy was based on its neglect of leading indicators as reflected in movements of financial markets for stocks and bonds.

The preface to this year's economic white paper confessed to the difficulties associated with economic forecasting by stating, "The economy is changing constantly and never pauses even for a moment." Household budgets, corporations, and the government respond to economic changes and those responses bring about new changes. This phenomenon verifies the government statement.

However, with respect to the recent worst of postwar recessions, the government should establish an investigative commission to perform a thorough inquiry and report on its causes, appropriateness of situational assessments, time and nature of countermeasures, and their effectiveness, in the manner executed by the United States after "Black Monday of 20 October 1987."

Clarification of the degree of impact of policy errors on the recent recession will serve as a foundation for future antirecession measures and economic analysis and serve to restore confidence in government economists.

Takemura's Tough Stance in MOF Analyzed

942A0631A Tokyo SENTAKU in Japanese Aug 94 pp 88-91

[Unattributed article: "How Far Will Takemura's 'Finance Bullying' Go?; Takeshita's Resurging Influence"]

[Text] "There is only one aim. It will be to drive in a wedge between Ozawa and the Ministry of Finance [MOF], the source of his political power."

When an MOF official of medium standing learned that Masayoshi Takemura himself asked for the post of "finance minister" in the formation of the Murayama cabinet, he explained Takemura's aim as in the above.

As the official said, since Takemura took office as finance minister, within the ministry a cold and tense relationship has continued between Finance Minister Takemura and Administrative Vice Minister Jiro Saito, who has had Shinseito [Japan Renewal Party] Secretary General Ichiro Ozawa at his back. Even a voice is heard saying, "We miss Mr. Fujii's time." Some say this, feeling a difference between the incumbent and former Finance Minister Hirohisa Fujii who handled all matters in compliance with the finance bureaucrats' scenario and was jeered as the "section chief" within the ministry.

Into which spot will Takemura, who moved into the Ministry of Finance, "the enemy's land," all alone as part of his anti-Ozawa strategy, drive a wedge? Takemura's operation for excluding Ozawa's influence, that is, his bullying of finance bureaucrats headed by Vice Minister Saito, has hotly been carried out since immediately after he took office.

Tax Bureau Is Left Out in the Cold

To begin with, at a press conference after the first cabinet meeting, asked about the relations between bureaucrats and politics, Finance Minister Takemura said that "I would like to have the administration carry out soul-searching on its excessive relations with politics and endeavor to fulfill the administrative role more independently." By using the term "soul-searching," he implicitly asked Vice Minister Saito to sever close relations with Ozawa which surfaced through the national welfare tax plan.

At a cabinet meeting on 1 July, the next day, an objection was raised from cabinet members of the Liberal Democratic Party [LDP] against personnel matters on the agenda of the day. The personnel matters were decisions to retain Vice Minister Jiro Saito and Ministry of International Trade and Industry [MITI] Vice Minister Hideaki Kumano, an equally pro-Ozawa bureaucrat, at their respective posts. Takemura said that, "as a minister, I made the personnel decision [as to Saito] by myself." But at the same time he also said that "the criticism that officialdom is a little too meddling will be made the subject of soul-searching in my ministry." Afterwards, he called Vice Minister Saito and Secretariat Director Takeshi Komura to his office and pressed for soul-searching.

Finance Minister Takemura said: "Be careful not to be meddling." Vice Minister Saito replied: "Mr. Minister, your intention will be conveyed within the ministry."

Officials within the ministry regarded Takemura's remark as an intimidation, saying that it implied: "I will shut my eyes to the recent measure to retain you as vice minister. But, in return, keep from having relations with Ozawa. The right to personnel management is in my hand."

Finance Minister Takemura's attack on his ministry officials is further tenacious with regard to tax system reform, the task of the utmost importance.

Effecting a reduction in the income tax and an increase in the consumption tax rate through package legislation may be said to be the MOF's basic line which the ministry cannot concede a bit in carrying out the upcoming tax system reform.

The reason is: "When only a tax reduction is carried out first, it is impossible to pass a tax-increase bill afterwards. In Japan's tax system history, there is no single case in which a tax-increase bill alone has been passed" (a leading member of the Tax Bureau).

However, appearing in a television program immediately after he took office, Takemura mentioned the possibility of dealing with tax-increase and tax-reduction bills separately, saying, "We may present the two steps in one bill to the Diet. Or, we can separate the two steps and first present a tax reduction (the tax reduction bill) and, after a little while when economic conditions improve, we can decide to present a tax increase (tax-increase bill). We can choose between them."

At a later press conference, as to the issue of package and separate dealings, he toned down his remarks, saying that "it is a task to be decided by politics from now, and my present position is neutral." However, after a Japan-U.S. finance ministers' meeting in Naples, U.S. Treasury Secretary Bentsen said that "the Japanese side stressed that Japan would not consider an increase in the consumption tax until the economic recovery became certain." From his remark, we can easily guess that Finance Minister Takemura made a commitment to the United States to adopt the "separate handling."

Needless to say, such a move had double aims: in addition to the aim of driving a wedge into the line led by

Ozawa and Saito in tax system reform, it was intended to make his existence as finance minister appealing to the eyes of the United States, which is pressing Japan to expand domestic demands, by deciding to "shelve a tax increase."

Moreover, in the work of drafting Prime Minister Murayama's policy speech, Takemura himself checked sentences related to tax system reform and thus "he completely left the Tax Bureau out in the cold" (a leading member of the bureau).

In fact, in the draft speech, Finance Minister Takemura touched up the portion, "Utmost efforts will be made to realize tax system reform within this year," deleting the word "utmost." He thus, on his own initiative, took a step back from the position of realizing tax system reform within this year asserted by the Tax Bureau.

The ruling camp's project team for tax system reform (the ruling coalition's Research Commission on the Tax System) held its first meeting on 19 July. For the finance minister's speech, the Tax Bureau prepared a manuscript saying that "I would like to ask for a speedy deliberation for realizing tax system reform within this year." However, Takemura intentionally skipped this portion in his address.

Following the finance minister's address, Home Affairs Minister Hiromu Nonaka made a speech in which he appealed at great length for the introduction of a local consumption tax. Comparing the two speeches, the commission members present reportedly got the impression that "after all, Mr. Takemura has no desire to carry out tax system reform."

What Takemura had in mind was, of course, to thoroughly crush the line of tax system reform which Ozawa and Saito had pursued with singleness of purpose and to bring back the initiative into his hand.

His extremely tenacious "finance bullying" stems from nothing but the grudge he had when he was serving as chief cabinet secretary. He was then "left out in the cold" without being given a bit of details by the MOF until immediately before the national welfare tax plan was announced in February.

Particularly, he seems to find it still hard to wipe out his "enmity and hatred" against Vice Minister Saito who is said to have directly ordered that "the chief cabinet secretary should not be informed."

"It Is All Right for Him To Resign"

Following personnel management and the tax system, the third target for Finance Minister Takemura's attack is administrative reform.

Amid prevailing remarks that "it takes 10 years for administrative reform to see the actual appearance of its expenditure-reduction effect" (the government's Tax System Study Council Chairman Hiroshi Kato), Takemura assigned the Budget Bureau the task of expeditiously working out administrative measures which have quick effects, saying that "if we want to carry out tax system reform, we need to see visible good results from administrative reform."

Along with this task, he also presented, as an administrative reform model, a plan prepared by Sakigake [Harbinger], of which he himself is representative, containing the blanket employment of public servants and consolidation, abolition, and amalgamation of special public corporations. When he saw the Ministry of Finance unable to easily grasp the plan, he openly applied pressures on Budget Bureau Director Kyosuke Shinozawa, conveying his feeling to the director through a man related to Sakigake that "if he has no desire to do the work, it is all right for him to resign."

It is not quite rare to see a minister standing against his own ministry bureaucrats. Citing a recent case, it is still fresh in our memory that, during the Miyazawa cabinet, then Posts and Telecommunications Minister Junichiro Koizumi severely criticized postal savings and pressed bureaucrats to make a big change in the ministry's policies. Under the Murayama cabinet, too, Transport Minister Shizuka Kamei said: "We will start with a clean slate with all policies decided by former cabinets retracted. Anyone who cannot understand this can resign." It is thus a frequent case to see a minister bullying bureaucrats, hiding behind his authority as minister.

However, it may well be said that, unlike attacks by former Posts and Telecommunications Minister Koizumi and Transport Minister Kamei, Finance Minister Takemura's attack on finance bureaucrats is based on his far sight and deep design. We may say so because his tenacious attack on Vice Minister Saito is carried out on the basis of a clear political power strategy designed to disrupt Ozawa's honeymoon with finance bureaucrats and put Takemura himself, who aims to become prime minister in the future, in Ozawa's place. We may say so because, while bullying Saito, etc. out and out openly, Takemura is secretly carrying out backstage maneuvers to gain the confidence of finance bureaucrats through a key personality.

The key personality is none other than former Prime Minister Noboru Takeshita, who seceded from the LDP and seems to have receded from the forefront of the political world, but who still has hidden influences on the MOF's personnel management and personnel connections as the "originator of the consumption tax."

On 4 July, when officials were busy preparing for the Naples summit, Finance Minister Takemura visited the Takeshita office alone. At the office, he explained that, at the Naples summit, the Japanese Government would express the desire to continue an income tax reduction, beginning next year.

He then asked for Takeshita's understanding and approval with regard to the following two points: 1) the period between a preceding tax reduction and a later increase in the consumption tax rate will be set by taking economic conditions into consideration, but the period will not exceed three years, and so an increase in the consumption tax rate will be carried out by April 1997; and 2) as to the extent of increase in the consumption tax rate, final judgment will be given after observing the expenditure-reduction effect of administrative and financial reforms as well as the natural increase in the revenues through economic recovery; yet the extent will be lower than 7 percent of the national welfare tax.

Takemura persuaded Murayama to become prime minister, and this led to the realization of a dramatic LDP-SDPJ coalition government, but it was Takeshita who gave Takemura information and strategy from behind.

Takeshita and Takemura have a long relationship. In the era when Takemura belonged to the Mitsuzuka faction, people are said to have seen him frequently making a "homage-paying visit to Daizawa)" [location of Takeshita's Tokyo residence]. It is not too much to say that the connection between Takeshita and Takemura represents a kind of "teacher-pupil" relationship.

Therefore, when Takemura firmed up the tax system reform plan, it was quite natural for him to seek Takeshita's understanding and approval of the plan.

"Arbitrator" Takeshita's Authority

Finance Minister Takemura's real intention was immediately transmitted to the Ministry of Finance through former Prime Minister Takeshita. For the MOF, there was still some lingering dissatisfaction about the details of the consumption tax rate; however, an air of slight relief also floated within the ministry because the ministry had feared that Takemura might scheme to only carry out a tax reduction and then call it quits.

According to those close to Takeshita, on that day, Vice Minister Saito, accompanied by a number of leading MOF officials, called on Takeshita and asked for an emergency meeting.

Takeshita is said to have given a warning that "I will convey your points well to Mr. Takemura, but you, too, have to follow the minister's instructions."

Through such a process, mutual consent appears to have been reached between Takemura and the MOF with regard to the outline of tax system reform. That is not all there is to it. There is a strong view that, under the influence of "arbitrator" Takeshita, an "armistice agreement" has been concluded between the two sides for the time being.

At least since then, except Saito who has mutual hatred with Takemura which cannot be wiped out, bureau director-class officials such as Shinozawa and Ogawa have been showing their obedience, though the obedience might be ostensible, to Takemura, instead of going against his instructions.

For Takemura, he has succeeded in his plan to build a new relationship with the MOF by having Takeshita stand as arbitrator.

Outwardly, he repeats his fierce attack on the MOF; however, behind the scenes he adroitly work to improve relations with finance bureaucrats. Seen therein vividly is the manipulation of bureaucrats by Takemura who is said to be a Machiavellian.

On the other hand, needless to say, Takeshita's existence has become increasingly influential for finance bureaucrats.

"Being tossed about by Finance Minister Takemura, the ministry may be in much confusion." In Kasumigaseki much concern is concentrated on whether there is not some change in the power base of Vice Minister Saito and his followers. Several bureaucrats are heard asking themselves, "Vice Minister Saito might lose his position, might he not?"

However, a Finance Ministry old boy who served as a bureau director says that "it is natural to see the situation that way, but my answer is no." He says: "When the ministry faces such an emergency, its organization becomes even more solid, and for this reason the ministry is called the Finance Family."

Before Takemura was installed as finance minister, the Ministry of Finance solidified personnel management for its executive members through measures including Saito's continued service as vice minister. The personnel measures were aimed at strengthening Vice Minister Saito's power system centering on the ministry's Secretariat and the Budget Bureau by retaining at their posts those close to Saito such as Secretariat Director Komura and Secretarial Division Chief Takashi Sugii, and by appointing the budget examiner in charge of planning, Koichi Hosokawa, a budget-compiling staffer, as chief of the General Coordination Division. However, at the same time, it should not be overlooked that Vice Minister Saito managed to firmly retain within the ministry the communication channel with the LDP no matter how he strengthened his tilt toward Ozawa.

For example, there was an event with Budget Bureau Director Shinozawa who is expected to become vice minister after Saito. Shinseito once sounded out the ministry about "firing" Shinozawa. Vice Minister Saito himself moved around for backstage negotiations to block the political interference in personnel affairs. Tax Bureau Director Tadashi Ogawa, who is certain to become vice minister after Shinozawa, once worked as prime minister's secretary for former Prime Minister Takeshita and has now become an important person holding a key to the Takeshita-Takemura line. Securities Bureau Director Sohei Hidaka who served as prime minister's secretary for former Prime Minister Miyazawa has been retained at his post despite the rumor that he will retire voluntarily this year, given credit for his role as a point of contact with the LDP.

In a sense, in making the personnel changes, the MOF is considered to have anticipated to some extent the recent political changes and so retained a system workable in case of emergency. In the past year, people witnessed so close a relationship between Vice Minister Saito and Ozawa that they thought that personnel management and personnel connections in the Finance Ministry became single layered. However, in fact, the ministry has retained the communication channel with the LDP as its lifeline. With such multilayered structure, this time the ministry is sliding its pivoting foot toward the LDP while also watching its distance from Ozawa. This is the present Finance Ministry's basic stance toward politics.

The ministry's move to find the way to improve relations with Finance Minister Takemura through former Prime Minister Takeshita may be said to be one such multifaceted political response.

The political situation has been so turbulent that there have been three changes in prime minister in one year. What is more, under a system where a power change can take place any time through the small constituency system, it is becoming no longer workable for a ministry to back a certain specific political force and, through the use of the force's political power, attempt to realize its policies high-handedly. Respective ministries and agencies have, at last, begun to notice this. However, many government offices also find it hard to correct their tracks thus far, such as MITI in which speculation is still rife about the possibility of Vice Minister Kumano's resignation to take the responsibility in the aftermath of former MITI Minister Hiroshi Kumagai's dismissal of a bureau director; and the Posts and Telecommunications Ministry which had too deep relations with Ozawa.

In comparison, "the MOF's crisis management is indeed excellent," admits a leading MITI official candidly. No matter how intensely Finance Minister Takemura steps up his attack on Vice Minister Saito, a buffer mechanism has already been established within the ministry to absorb the impact of the attack through the use of its line with the LDP and the Takeshita-Takemura line.

Takemura Is an Unknown in Terms of Policy

Well, Takemura wants to strengthen its influence on the Ministry of Finance in place of Ozawa, but the most serious bottleneck is, after all, his scanty experience in economic policy. It is not too much to say that day and night he was absorbed in political reform during his eight-year tenure in the lower house. In terms of policy, it may be said that he has only scratched the surface of the environmental issue. Partly because of his remarks on shelving a tax increase for some time with regard to tax system reform, many within the Ministry of Finance rate him harshly, viewing that "he is an irresponsible politician saying only sweet things to the people," and "he has no capacity to map out a policy." It is said that an essay he wrote when he was a Home Affairs Ministry official caught Kakuei Tanaka's eye and became the basis for the "Plan for Reconstruction of the Japanese Archipelago." Despite this episode, many within the ministry perceive him as "merely a politician who, after all, only brings about fiscal expansion."

Finance Minister Takemura's attempt to drive a wedge into the MOF has undoubtedly stemmed from his opposition to the high-handed political method used by the Ozawa-Saito line. It strictly represents an opposition to the method. It is hard to say that Finance Minister Takemura has ever clarified his position toward the substance of the policy itself which Ozawa and Saito intended to promote. This is the reason why the MOF feels that "we cannot see what Takemura is thinking and we cannot trust him."

The present LDP-SDPJ-Sakigake coalition government may be said to be of the fiscal expansionary type. With regard to the next fiscal year budget compilation, respective ruling parties have begun to bustle about to secure budgetary frameworks according to their own wishes, not only on Uruguay Round-related domestic agricultural measures, but also on welfare measures for the aged, the new communications infrastructure maintenance, and the new Shinkansen train lines. Amid these moves, how will Finance Minister Takemura display his leadership? Vice Minister Saito and others intend to discern if Takemura is a fully reliable politician through his responses to such specific policy measures.

The MOF's backing is indispensable to Finance Minister Takemura if he really aims to seize the post of prime minister in the future, and it is Takemura himself who is most aware of this.

Will Takemura's installation as finance minister merely mean, in the end, a wedge driven into the Ozawa-Saito relations to rip them? Or, will it become an important step toward making him a new political force able to compete with Ozawa? This hangs on Finance Minister Takemura's behavior from this time forth.

* Retention of MOF, MITI Vice Ministers Viewed

942A0569A Tokyo SHUKAN JIJI in Japanese 23 Jul 94 pp 98-101

[Text] It was considered inevitable that there would be controversy about the retention of vice ministers for the Ministry of Finance [MOF] and Ministry of International Trade and Industry [MITI] during the change in government.

Controversy Was Based on Complaints From Justifiable Quarters

On 1 July, immediately after the launching of the Murayama administration, orders were issued for executive positions in the MOF and MITI. Administrative

Vice Ministers Jiro Saito of the MOF and Hideaki Kumano of MITI, whose disposition was being closely watched, were both retained, reflecting an endorsement of the "Saito-Kumano team" formed by the two since the end of last year in terms of forming an alliance to increase the consumption tax. However, although the cabinet was supposed to have approved the retention of the two, certain elements of the cabinet later lodged complaints against their retention.

"We question any action to make informal decisions on appointments to executive positions at this time." Comments of this nature concerning the proposed retention of Saito and Kumano had even been expressed by segments of the prior cabinet.

MOF and MITI had both made informal decisions on executive appointments when this fiscal year's budget was approved on 23 June, which were reported in a subdued manner amidst wide coverage of political consultations among various political parties. However, during the cabinet meeting of 24 June, then National Land Agency Director General Sato addressed the proposed appointments, based on news reports, with a complaint. Although the budget had been approved and a major issue had been disposed of, talks were pending with the Social Democratic Party of Japan [SDPJ] about its return to the coalition government, and there was no telling what might happen near the end of the Diet session. Under such political circumstances, Sato asserted, "I question the propriety of giving priority to bureaucratic affairs and taking executive appointment actions at this time."

Demands for Liquidation of the Relationships Between Ruling and Opposition Parties

As far as the bureaucrats at the MOF and MITI were concerned, "the events up to that point were to be expected." They bowed their heads and pretended as if they were taking the complaints seriously.

However, immediately later, the Hata government resigned. And, according to one MITI executive, the birth of a new coalition government composed of the Liberal Democratic Party [LDP], SDPJ, and Sakigake [Harbinger], which had represented the opposition was a "veritable bolt of lightning from the clear blue skies." It was a development that defied the imagination.

As would be expected, an LDP cabinet member, who during his opposition party days had tenaciously challenged Vice Ministers Saito and Kumano's "crusade for a tax increase" and Vice Minister Kumano's role in the removal of an Industrial Policy Bureau director during Diet sessions, objected to the two vice ministers, saying, "I cannot approve of their retention."

"The prominent role played by the two vice ministers relative to the national welfare tax concept led to the withdrawal of that plan and ultimately brought about the collapse of the Japan-U.S. framework talks."

"By failing to object to former Minister of International Trade and Industry Kumagai's removal of Industrial Policy Bureau Director Naito, Vice Minister Kumano in effect assisted in the conspiracy with Kumagai."

The rationale is that the unspecified LDP cabinet member "could not approve of their retention" because of such an array of objections.

As MITI Minister Hashimoto reveals, procedurally the proposed appointments were "approved" without comment at the cabinet meeting held before the ministerial conference. Concerning the fact that an LDP cabinet member objected, outside of cabinet meetings, to the retention of the two vice ministers, one economic ministerial official comments, "The LDP official is demanding the liquidation of relationships with Shinseito [Japan Renewal Party] and former ruling parties because there has been a change in government. The LDP official is threatening, that if such action is not taken, we're going to fire the vice ministers just as former Minister of International Trade and Industry Kumagai fired the bureau director."

Executive appointments in the MOF and MITI have always attracted international interest. However, interest in the disposition of Vice Ministers Saito and Kumano have attracted exceptional interest. The question is, why did they attract so much attention?

He's commonly known as Densuke, a nickname that gives the impression that he's an affable guy, but Vice Minister Saito who was initially appointed to the MOF in 1969, is in reality a bureaucrat who is a hard-nosed moralist and shies away from liquor or other mundane pursuits. He made himself prominent in his days as budget officer when he imposed strict budget cuts in support of fiscal reform policies, and his reputation climbed as he pursued a career ladder up to secretary general of the Economic Planning Agency and the MOF, and Budget Bureau director. When he was appointed vice minister last summer, comments were voiced that, "He was a super prominent vice minister that comes only once in a decade and will certainly serve a two-year tour."

Saito Displays Higher "Political Skills"

On the other hand, Vice Minister Kumano too is a moralist like Saito. He is the stubborn type who will not compromise on his views, but does exercise the flexibility to listen to his subordinates. When he succeeded former Vice Minister Yuji Tanahashi, who was criticized for "terror politics," comments were heard from within the ministry that, "The change will make the atmosphere in the agency more pleasant."

The two found themselves so compatible in their goals that society referred to them as the "Saito-Kumano team" and they visited industrialists and principal mass media together from the end of last year to the beginning of this year to campaign on behalf of their goals.

According to MITI sources, they functioned as a team on a number of issues in conducting a major campaign for issues such as the increase in the consumption tax "in a manner which exceeded common practice of the past."

The intimate actions of the two were commented on with remarks such as:

"Perhaps it was a case where the two shared similar characteristics" (MOF official).

"No, I think it's a case where the shrewd Saito was taking advantage of the naive Kumano" (MITI official).

Various speculations are circulating, but the MITI official adds, "We can be sure that they are good friends."

If a comparison of the two were to be made from a political perspective, Saito, who is said to be closely associated with Shinseito Secretary General Ozawa, by a wide margin leads Kumano who, according to a former bureaucrat of MITI, "was controlled by Kumagai, a protege of Ozawa."

Ozawa is constantly lurking in the shadows of Saito. Relationships between the two which have been controversial in several ways since the days of the "international contribution tax idea" when Saito was Budget Bureau director were afforded a high degree of publicity in connection with the compilation of the budget after the year end and with the national welfare tax idea.

Reportedly, Saito took bold action to delay the compilation of the budget to support Ozawa's advocacy over priority settlement of the political reform laws and became deeply involved in the administrative work involved in the development of the National Welfare Tax concept.

The coincidental improvement in the economy afforded smooth sailing for budget compilation, but even within the coalition parties criticism arose against the national welfare tax concept, which was forced into withdrawal under the fierce opposition of the SDPJ. Even Sakigake President Masayoshi Takemura, appointed as minister of finance in the Murayama cabinet, was one of those who said, "We should not assume such an optimistic attitude about tax increases."

There is nothing unusual about Saito's actions, when you consider that bureaucrats have always tied up with the political leaders of the times to realize policy goals. However, his actions in building up close relationships without maintaining a certain distance and his "unhesitating presentation of" a tax increase concept without a deliberate cautious approach was appraised by the bureaucratic world as a "failure."

Additionally, Saito earned the antagonism of the LDP, which makes a glaring display of its hatred of Ozawa's Shinseito and brought about the unusual situation in which the House of Councilors Budget Committee summoned the vice minister to question him on the previously mentioned "campaign for tax increases." In actuality, although Saito disposed of the matter by explaining his position at a committee directors meeting, there is no mistaking the fact that the feelings of a proud MOF bureaucrat were hurt.

However, notwithstanding such controversy, no one in the ministry had any doubts about Saito's retention as vice minister. There are many reasons for such a belief. They include the fact that "a super prominent vice minister appearing only once in a decade" shows signs of ambitions to remain in office, and if he is removed from office contrary to the established plan, there is the possibility that he will be viewed as having "taken responsibility for the controversy on the national welfare tax" (the MOF denies it had anything to do with the idea); i.e., in essence, the situation can be summarized as a case where no objections have been voiced against Saito from within the ministry.

Kumano Is a Lame Duck

On the other hand, what will be the disposition of Vice Minister Kumano? Comments within the ministry on the "tax increase campaign" are split:

"The actions are understandable in view of the limited policy options available."

"Taking actions in unison with the MOF reinforces arguments purporting the nonessentiality of MITI."

A debatable issue is the "lack of leadership" displayed in the controversy over the firing of Industrial Policy Director Saito. During sessions of the House of Representatives Budget Committee of the previous Diet session when the LDP was part of the opposition, Hiromu Nonaka, who was appointed minister of home affairs in the Murayama cabinet, sought Kumano's appearance and furiously questioned him about "aiding Kumagai's conspiracy."

However, despite all this controversy, the decision to retain the two vice ministers has not been overturned.

Some officials lobbied for retention saying, "If removal of the two should become reality, it would signal the toleration of intervention by politicians in executive appointments and leave a legacy of problems for the future." Saito's major goal for remaining in office would be "to achieve the long-cherished goal of tax reform," while for Kumano, it is a case of "preserving the institution." But within the ministry, there are hostile comments that "Kumano lacks leadership. He's a lame duck."

MOF Starts Experiment With New Bank System

OW1709092694 Tokyo KYODO in English 0834 GMT 17 Sep 94

[Text] Tokyo, Sept. 17 KYODO—The Ministry of Finance [MOF] disclosed Saturday [17 September] it has launched experiments with a newly developed computerized system to analyze financial conditions at banking institutions.

The ministry said the project, called the early warning system, can analyze monthly financial data of banks monthly, instead of once every two to three years as at present.

The data will be used to forestall financial crises and help local regulators provide timely advice to credit associations under their supervision, ministry officials said.

Commercial banks and credit unions will be required to take greater risk management measures to cope with an increasing number of new products such as financial derivatives, resulting from liberalization of financial markets.

The officials said detailed information concerning the financial situation of banking institutions, including the amount of revenues from their core business and nonperforming debts, will be examined by the new system.

Based on the examinations made by the system, banks will be divided into five grades, with those included in the lower two drawing warnings from the ministry on their financial positions, the officials said.

Six Leading Banks To Eliminate Bad Loans

942A0562A Tokyo KINYU ZAISEI JIJO in Japanese 27 Jun 94 pp 24-29

[Article written by reporter, Shin Yamano]

[Text] *Financial results of six leading city banks for fiscal year 1993 appear the worst ever. Undoubtedly, main reasons for this are bad loans that are reported to be in the amount of over 6.5 trillion yen [Y], and the cost of restructuring loans, including waivers of interest payments, that are estimated to be roughly in the amount of over Y4 trillion. Because of these bad loans, net operating profits were only Y120 billion, a decline of about 6.5 percent. Ordinary profits were Y320 billion, a decline of 46 percent, and current-term profits were Y50 billion, a decline of 18.9 percent. According to the semiannual trend of outstanding balances of bad loans, however, the outstanding balance seems to have peaked—although it increased by Y400 billion as of March 1993, it decreased by Y200 billion as of September 1993. Also, assuming that the balance will continue to decrease by Y200 billion semiannually and that the outstanding balance in special allowance accounts for bad loans will continue to increase as in fiscal 1993 compared to fiscal 1992, the special allowance accounts will make up more than 40 percent of the outstanding balance of bad loans by the end of fiscal 1995, and thus the writing-off of bad loans will be almost complete in two years.*

Gross Operating Profits—Fuji Bank as Number One

Total gross operating profits of the six banks were Y3,938.3 billion, a decline of 2.4 percent, or Y96.1 billion, compared to the previous year. Among these banks, Fuji had an increase of Y59.5 billion and moved up to number one from number five in the previous year. In terms of gross operating profits from domestic operations, Sakura has remained as number one, but the difference between its gross operating profit and that of the bank ranked sixth shrank from Y170 billion in the previous year to Y120 billion. In terms of this measurement, Fuji was again noteworthy with an increase of Y39.1 billion. In terms of gross operating profits from overseas operations, Fuji's advancement was notable, but the difference in profit between the first- and sixth-ranking banks expanded from Y90 billion in fiscal 1992 to Y130 billion in fiscal 1993.

Net Operating Profits—Dramatic Changes in Rankings

As mentioned earlier, net operating profits of the six banks declined by 6.5 percent, or Y121.4 billion. Such a decline occurred for the first time in three years since fiscal 1989—there was a decline of 9.8 percent, or Y115.3 billion, in fiscal 1990. By bank, Sakura, Mitsubishi, and Sumitomo each saw a major decline of more than 10 percent—Y63.9 billion (23.6 percent), Y52.9 billion (15.7 percent), and Y39.3 billion (11.5 percent), respectively. On the other hand, Sanwa and Dai-Ichi Kangyo experienced a slight decline or maintained approximately the same level as the previous year's result—Y12.2 billion (3.3 percent) and Y1.8 billion (0.8 percent), respectively. Unlike the other five banks, Fuji showed an increase of Y48.8 billion (15.5 percent). As a result, Sanwa, which gained the number-one position in fiscal 1992, gave way to Fuji by a difference of mere Y4.1 billion. Sumitomo became number three, and Sakura, which rose to number five in fiscal 1992, fell to the bottom in one year.

As shown above, changes in the rankings in terms of net operating profits have become volatile since fiscal 1991. The rankings are no longer determined by the volume of deposits and loans as in the past. Reasons for this seem to be not only the progress in liberalization of interest rates but also the expansion of such off-the-books transactions as swaps.

Profits and Losses From Funds, Services, and Other Operations—Excessive Hedging Against Interest Rate Risks

Now, let's take a look at profits and losses from funds, services, and other operations that are the components of net operating profits.

First, profits from funds operations in total decreased by Y177.2 billion (or 5.2 percent). By bank, only Fuji had an increase of Y34.3 billion; all other five banks experienced a decline in profits.

One factor for such a decline in profits is the worsening of interest-rate differentials between deposits and loans in domestic operations, which is estimated to have caused a decline in profits of about Y300 billion. On the other hand, the differentials between yields on securities and interest rates for raising corresponding funds have improved greatly due to the lowering of rates on such funds. The effect of this factor on profit improvement is estimated to be about Y260 billion. These two factors combined have produced a decline in profits of about Y40 billion. Another factor for the remaining profit decline of Y130 billion is the worsening of profits and losses from interest rate swaps. This seems self-evident, because the worsening of profits and losses from interest rate swaps is about Y150 billion. In other words, even though the profit margin for investment in securities has improved owing to the lowering of rates for raising these funds, this favorable factor has been offset by the worsening of profits and losses from interest rate swaps to hedge against rising interest rates.

A reason for worsening interest rate differentials between deposits and loans is that, although interest rates on loans have declined due to the lowering of short-term prime rates, those on such liquid deposits as ordinary deposits did not come down as expected. Therefore, as the banks misread the situation that under such an extremely low level of interest rates, liquid deposits behave as if they were based on fixed rather than fluctuating interest rates, they carried out excessive hedging against interest rate risks through interest rate swaps.

In terms of profits and losses from interest rate swaps, by bank, Sakura reported the largest loss in the amount of Y104.3 billion, followed by Dai-Ichi Kangyo, Mitsubishi, Sumitomo, and Sanwa, all of which had losses in the amount of Y89.3 billion, Y65.7 billion, Y59.9 billion, and Y51.7 billion, respectively. Only Fuji reported a profit in the amount of Y21.8 billion. Compared to the previous year, Sumitomo saw the largest decline in the amount of Y46.5 billion, followed by Sakura's Y44.2 billion decline, Sanwa's Y36 billion decline, Dai-Ichi Kangyo's Y32.9 billion decline, Mitsubishi's Y11.5 billion decline, and Fuji's Y24.2 billion increase. The ranking was about the same as in the case of profits and losses from funds operations.

Fuji's strategy is considered as too speculative by some people, but it seems to be based on the bank's clear reading of declining rates of interest. To be sure, if interest rates move up, this strategy will have an adverse effect. However, as some people in the market point out, if Fuji has already settled its swap transactions, it will be able to maintain a certain level of profits even if interest rates continue to decline in the future, although such a decline will have no effect on the settled swap transactions. On the other hand, the other five banks will continue to experience difficulty in managing their business if interest rates continue to decline.

A Large Increase in Profits From Securities-Related Transactions

Now, let's look at profits and losses from service operations. In total, the six banks increased their net profits by Y325.3 billion, an increase of 5.3 billion (or 1.7 percent) from the previous year. By bank, as in the previous year, Dai-Ichi Kangyo and Sakura, both of which have a large number of branch offices, were number one and two, reporting profits in the amount of more than Y60 billion. However, the difference between their earnings and Sumitomo's, the smallest, is only about Y20 billion.

Regarding profits and losses from other operations, the six banks as a whole reported an increase of Y75.8 billion, due mainly to an increase in profits from securities-related transactions, including transactions in national bonds. In total, they reported Y150.7 billion in profits from transactions in national bonds and other securities, an extremely large increase of Y136.6 billion, or 968 percent, from the previous year. This is because they recognized gains from sale when the market prices of these securities were on the rise. As their profits from funds operations were disappearing, the banks seem to have tried to raise their net operating profits through these transactions so as to write off their bad loans as much as possible.

By bank, Fuji reported the largest net profit [from securities-related transactions], Y55.3 billion, followed by Sakura's Y35.1 billion, Sanwa's Y25.1 billion, Mitsubishi's Y15.3 billion, Dai-Ichi Kangyo's Y12.7 billion, and Sumitomo's Y7.4 billion. Compared to the previous year, Dai-Ichi Kangyo had the largest increase, Y53 billion. In terms of gains and losses from sales, it is noteworthy that Dai-Ichi Kangyo had the largest gain, Y141.3 billion, and the largest loss, Y119.5 billion. Likewise, Mitsubishi reported Y102.8 billion as gain from sales and Y84 billion as loss. Although the details of these losses are not disclosed, one reason for these losses under the favorable securities-market condition seems that the banks classified such mistakes in hedging as in forward transaction as losses.

Large gains from sales were also reported by Fuji, Y94.4 billion, and Sakura, Y79.4 billion. As these two banks also reported large net profits, they seem to have tried to raise their net operating profits [through these transactions]. However, Sakura reported a loss on redemptions in the amount of Y30 billion, which seems to be a write-off of investment. This indicates that the bank tried to deal with its sour investment along with its bad loans, because investment in securities with holding losses is also considered as a bad asset. In contrast to Mitsubishi, Sanwa, and the other three banks that had holding losses in the amount of Y100 billion, Y80 billion, and in the range of more than Y50 billion, respectively, Sakura reported a holding loss of only about Y16 billion.

Operating Expenses—Reduced for the First Time in Five Years

In fiscal 1993, an average increase [in operating expenses] for the six banks combined was about 1.5 percent. This is about half of that reported in fiscal 1992, 3.05 percent, and about a quarter of that reported in fiscal 1991, 5.25 percent. Sakura and Sumitomo in particular reduced their operating expenses, albeit slightly. This decline in operating expenses was seen for the first time since fiscal 1989. On the other hand, Fuji and Mitsubishi reported an increase, 3.8 percent and 5.6 percent, respectively, larger than the previous year's. It seems premature to draw any conclusion from these results, as rationalization of corporate operations does not produce results in the short run, and as the more drastic such rationalization is, the longer the time-lag will be.

Ordinary Profits and Current-Term Profits—Dividend Payout Ratios of Five Banks Exceeded 80 Percent

Although, as mentioned earlier, the banks' net operating profits declined by about Y120 billion, their ordinary profits declined by 46 percent, or Y320 billion, in total. Of this total, a decline of Y200 billion can be explained mainly by the difference between losses from the writing-off of bad loans and gains from sale of stocks.

Let's assume that the losses from the writing-off of bad loans are a sum of the actual write-off of bad loans (direct write-off), the amount reported as allowance for bad loans (indirect write-off), and losses from sale [of bad loans] to buying agencies. Then, the amount of such losses was Y725 billion in fiscal 1992, and Y1,550 billion in fiscal 1993, showing an increase of about Y825 billion.

On the other hand, the amount of gains from sale of stocks reported under the section of gains and losses from stocks-related transactions increased by about Y630 billion from the previous year. Therefore, the difference between the losses from the writing-off of bad loans and the gains from sale of stocks—approximately Y200 billion—explains the large decline in ordinary profits.

Current-term profits also declined dramatically, along with the decline in ordinary profits. As a result, the dividend payout ratio exceeded 80 percent for all but Sanwa. Therefore, the amount of current-term profits was barely enough to pay dividends.

Bad Loans—The Outstanding Balance Has Peaked

The six banks in total reported losses from the writing-off of bad loans in the amount of Y1,550 billion in fiscal 1993, an increase of about Y825 billion from the previous year. By bank, Sakura reported the largest loss, Y312 billion, followed by Dai-Ichi Kangyo's Y271 billion, Mitsubishi's Y254.2 billion, Sanwa's Y242.4 billion, Fuji's Y237.7 billion, and Sumitomo's Y228.3 billion.

The large losses incurred by Sakura and Dai-Ichi Kangyo seem reasonable, because these banks each have a large outstanding balance of bad loans. Curiously enough, however, Mitsubishi and Sanwa, which do not have a large outstanding balance of bad loans, have reported a large loss from the writing-off of bad loans. According to their financial statements, their losses from sale [of bad loans] to buying agencies were relatively large, but compared to the other banks, the rate of increase in their outstanding balances of bad debts is not noticeably smaller. The main reason for this anomaly, after all, is losses they incurred to aid their affiliated companies. Mitsubishi reported such losses in the mount of Y87 billion. Excluding this amount, therefore, the bank's loss from the writing-off of bad loans was to Y167.2 billion. It is also conceivable that Sanwa recognized some losses to aid its affiliated companies, the amount of such losses was not reported.

Regarding the future writing-off of bad loans, each of these banks stated that their outstanding balances had peaked, enabling them to estimate how much cost would be required to complete the writing-off of bad loans. Assuming that the amount of doubtful loans is a sum of the loans to failed companies plus half of the loans with repayments in arrears, the total of such bad loans is Y3,870 billion. Excluding the outstanding balances in the special allowance accounts in the amount of Y1,447.6 billion, the net amount of bad loans is about Y2,420 billion. Therefore, if these banks continue to write off their bad loans at fiscal 1993's level, they will be able to complete writing off their existing bad loans in two years.

Based on the estimate for fiscal 1994, the amount of funds available for the writing-off can be computed (that is, net operating profits minus ordinary profits). As shown in the table below, assuming that it will be the same amount for fiscal 1995, Dai-Ichi Kangyo and Sakura will have to generate more profits to write off their bad loans—Y110 billion and Y350 billion, respectively—in the next two years. On the other hand, Fuji, Mitsubishi, and Sanwa will have excess funds by fiscal year 1995—Y130 billion, Y200 billion, and Y220 billion, respectively. Therefore, they will be able to use these increases in their ordinary profits to apply against reduced income from loans, whose interest payments have been reduced or waved.

Table: Estimated Completion of Write-Off of Bad Loans (in Billion Yen)

	Bad Loans To Be Written Off	Amount of Annual Net Operating Profits Available for Write-Off	Deficiency (Excess) of Net Operating Profits Over Write-Off in Two Years
Dai-Ichi Kangyo	570	230	110
Sakura	610	130	350
Fuji	330	230	(130)
Mitsubishi	210	205	(200)
Sanwa	320	270	(220)
Sumitomo	390	195	0

Declining Gross Profits From International Operations

Let's review the actual profits of these banks since fiscal 1989 so as to consider management issues for the future.

In total, gross operating profits have been increasing since fiscal 1989; there was an increase of Y858.4 billion, or 27.9 percent, between fiscal 1989 and 1993. Such an increasing trend applies to both domestic and international operations. Between fiscal 1989 and 1993, an increase for domestic operations was Y612 billion, or 25 percent, and that for international operations was Y246.5, or 39.1 percent.

By bank, Fuji had the largest increase, Y223 billion, followed by Mitsubishi's Y196.8 billion, Sanwa's Y167.8 billion, Sakura's Y104 billion, Dai-Ichi Kangyo's Y101.5 billion, and Sumitomo's Y65.3 billion.

In domestic operations, Mitsubishi had an increase of Y131.5 billion, Sakura Y128.4 billion, Sanwa Y115.9 billion, Fuji Y102.8 billion, Dai-Ichi Kangyo Y76.5 billion, and Sumitomo Y56.9 billion. In international operations, Fuji made rapid progress and had an increase of Y120.3 billion. Only Sakura had a decrease of Y24.5 billion—the bank lost its former identity as "International Mitsui."

In fiscal 1989, domestic operations generated 79.5 percent of the total gross operating profits, and international operations 20.5 percent. In fiscal 1990, domestic operations generated 72.5 percent of the total gross operating profits, and international operations 27.3 percent, the latter registering a big jump in profitability. Since fiscal 1991, however, international operations have been losing their weight, and generated 22.3 percent of the total gross operating profits in fiscal 1993, a mere 1.8 percent increase from fiscal 1989. According to these figures, although we are in the so-called age of internationalization, the share of international operations in the gross operating profits has not changed much over the years.

Declining Weight of Commission-Based Operations

Let's break down the total increase in gross operating profits into an increase in profits and losses each from funds operations, service transactions, transactions in national bonds and other securities, and foreign exchange transactions. Of the total increase of Y858.4 billion, funds operations generated an increase of Y841.9 billion, service transactions a decrease of Y58.3 billion, transactions in national bonds and other securities an increase Y252.8 billion, and foreign exchange transactions a decrease of Y211 billion. Such core operations for fee-based business as service and foreign exchange transactions registered a large decline in profitability, showing the difficulty of Japanese banks to shift their focus toward commission-based business.

A share of profits from funds operations in gross operating profits has been high in general, but it climbed gradually to 82.7 percent [in fiscal 1993], an increase of 4.3 percent from 78.4 percent in fiscal 1989. By bank, Sanwa increased this share enormously from 70.5 percent to 84.2 percent. Sumitomo, Fuji, and Mitsubishi each increased this share also, but Dai-Ichi Kangyo and Sakura each saw a decline in this share.

An increase in profits from international funds operations was Y436.2 billion, larger than that from domestic funds operations, Y405.4 billion. By bank, Fuji and Sumitomo had a larger increase in profits from international funds operations than from domestic funds operations, Y120 billion and Y80 billion, respectively. Dai-Ichi Kangyo and Sanwa had a balanced growth in both operations. Sakura and Mitsubishi had a larger increase in profits from domestic funds operations than from international funds operations. Sakura in particular had a decline in profits from funds operations, and the reason seems to be that the bank's diminished funds operations lowered the profitability in international operations as well.

On the other hand, a share of profits from service transactions [in gross operating profits] was 12.5 percent in fiscal 1989, but it declined by two-thirds to 8.3 percent in fiscal 1993. And a share of profits from foreign exchange transactions was 11.5 percent in fiscal 1989, and it decreased by one-third to 3.7 percent. Therefore, even from this analysis of the trend of changes in these component shares, fee- and commission-based business seems to be "long way off" from becoming a major one. Here, it should also be noted that a change in "Accounting Standards for Foreign Exchange Transactions" has affected the profits from foreign exchange transactions.

Net operating profits increased by 49 percent, or Y574.9 billion, from fiscal 1989, a staggering 10 percent increase per year. By bank, Fuji increased its net operating profits by 91 percent, almost doubled, from fiscal 1989, and Mitsubishi and Sakura each had an increase of more than 50 percent—74 percent and 50 percent, respectively.

New Business Indicators Are Necessary

On the other hand, ordinary profits and current-term profits declined greatly. Compared to fiscal 1989, ordinary profits decreased by Y1,372.7 billion, or 78.4 percent, and current-term profits declined by Y681.9 billion, or 76.6 percent.

If current-term profits continue to be small, retained earnings will not increase much, leading to a stunted growth of stockholders' equity. Assuming that the stockholders' equity in broad terms is a sum of the allowance accounts and the capital accounts, it increased by about Y500 billion per year from fiscal 1990 through 1992. Therefore, as a decrease in current-term profits was offset by an increase in the allowance for bad loans, it did not reduce the amount of the equity.

However, for fiscal 1993, excluding Sakura's preferred stocks, the stockholders' equity increased by Y350 billion. The reason for this limited increase is that sale of bad loans increased its share in losses from the writing-off of bad loans. In any event, the allowance for bad loans will eventually be eliminated as bad loans are actually written off, it does not function as equity reserved for other kinds of risks. Without taking into account the allowance for bad loans, therefore, the stockholders' equity increased very little in fiscal 1992, and it actually decreased in fiscal 1993.

A share of net operating profits in the stockholders' equity increased by 3.88 percent from fiscal 1989. By bank, Fuji increased this share by 8 percent, followed by Mitsubishi's 5.51 percent, Sanwa's 4.03 percent, Sakura's 3.07 percent, Dai-Ichi Kangyo's 2.81 percent, Sumitomo's 0.26 percent. Compared to fiscal 1993, Fuji had the largest increase in this share, 17.7 percent, followed by Sanwa's 17.1 percent, Mitsubishi's 14.6 percent, Sumitomo's 13.1 percent, Dai-Ichi Kangyo's 11.4 percent, and Sakura's 10.7 percent. These figures indicate profitability of the stockholders' equity, showing utilization of this equity as a buffer against risks.

Profitability of interest-bearing operating funds measured against the stockholders' equity for fiscal 1993 was 1.4 percent for Fuji, 1.325 percent for Sanwa, 1.305 percent for Mitsubishi, 1.231 percent for Sumitomo, 1.208 percent for Sakura, and 1.119 percent for Dai-Ichi Kangyo. If the indicator mentioned earlier can be considered equivalent to ROE [return on equity], this indicator is like ROA [return on assets]. In any event, the size of the stockholders' equity is a major determining factor for the size of these indicators. The trend in the past five years shows clearly what a big influence risk management can have on banking business.

As such risky, off-the-books products as derivatives are increasingly introduced to the market, risk management will become more important in the future. In this time and age, management with short-term focus on profits will be trapped in an unexpected pitfall.

In other words, it is quite possible to manipulate income as long as some risks are taken temporarily. Therefore, new kinds of management indicators that do not focus excessively on the size of net operating profits will be necessary. Such indicators should include the aforementioned ratios that show the level of the stockholders' equity and its relation to profitability.

Bad loans have not been completely written off yet, but such completion is foreseeable now. Seizing this moment, the financial world must redefine how the banking business should be in the future, and find a new compass for this business as soon as possible.

TSE Said To Deregulate Listing Requirements

OW2109133694 Tokyo YOMIURI SHIMBUN in Japanese 21 Sep 94 Morning Edition p 6

[Text] Mitsuhide Yamaguchi, president of the Tokyo Stock Exchange [TSE], disclosed at a news conference on 20 September that the TSE plans to ease regulations on listing requirements for foreign firms to facilitate Chinese and other Asian firms' listing on the foreign section of the TSE. Among the centerpieces of the deregulation plan will be the abolishment of a provision requiring that foreign firms be listed for at least two years on the stock exchanges in their own countries before they can qualify for listing on the TSE.

Meanwhile, in order to put brakes on the onrush of European and U.S. firms pulling out of the TSE, the TSE plans to call on the Finance Ministry to approve simpler Japanese translations of annual securities reports that foreign firms are required to submit. This would lessen the workload burdening the listed firms. Through such measures, the TSE intends to maintain its status as an international capital market.

Since last year, newly established, unlisted Chinese firms one after another have been listed on the New York Stock Exchange, "bypassing" the TSE. The major reason for such moves is that, among other regulations, there are provisions requiring that at least five years must have passed since a foreign firm has been established and that it must have been listed on a stock exchange in the country of its origin for at least two years before it can qualify for listing on the foreign section of the TSE.

Article Criticizes Auto Insurance Industry

942A0686A Tokyo ASAHI SHIMBUN in Japanese 4 Sep 94 p 7

[Article by Takeshi Yamawaki: "Fictitious Policies Reflect Existence of Cartel in Automobile Insurance Industry"]

[Text] The view that there are a considerable number of "fictitious policies" for automobile insurance is based on the industry's "cartel-like features" such as the setting of uniform insurance premiums by an "Automobile Insurance Premium Calculation Association" and strict regulation imposed for the approval of automobile insurance products.

Casualty insurance companies, which accept high volumes of "fictitious policies" from markets operating under unhindered competitive policies, with stable claims rates and damage payment rates, will suffer from declining premium income and unfavorable operating results. In the end, such companies will have to raise premiums, and vehicle owners who do not utilize "fictitious policies" will abandon such auto insurance companies.

However, as long as insurance premiums for the industry are uniformly set under the current procedures, costs for "fictitious policies" creep into calculations for insurance premiums for the industry as a whole, meaning that premium rates will rise for all insurance companies and not just for one company. It becomes a case where average insured individuals suffer from gradual imperceptible rate hikes, while insurance companies lose sight of the need to be sensitive about risks associated with individual policies.

Such "lukewarm industry policies" encourage insurance companies to maintain higher insurance coverage statistics through the use of "fictitious policies" and to dedicate themselves to placing "supreme importance on gaining market share" by aggressively pushing the sales of not only auto insurance, but casualty and annuity insurance policies.

Further, if insurance premium discount policies applicable when a policyholder changes jobs to another geographical location in Japan are deregulated, we may see the appearance of insurance companies that offer policies with the benefit of a "continuation in discount clauses."

The United States is seeking deregulation of insurance premiums and regulatory relaxation for insurance products under the current insurance sector of the new Japan-U.S. economic framework talks. The Ministry of Finance should deregulate the insurance industry at an early date as a means to eliminate "fictitious policies."

Water Shortage Forces Power Plant Adjustments

942A0688A Tokyo NIHON KEIZAI SHIMBUN in Japanese 7 Sep 94 p 23

[Text] On 6 September, Chugoku Electric Power switched fuel for the largest No. 3 generator (500,000 kilowatts) at its Tamashima power plant from heavy oil to low sulfur crude oil, which will cost about 30 percent more. It is in order to deal with industrial use water supply restrictions due to the unusual water shortage and along with this, the company has shut down flue gas desulfurization equipment which uses a large quantity of water. The company took similar measures with the No. 2 generator (350,000 kilowatts) starting 26 July at the same power plant. By this, it has increased the percent reduction in industrial water from the previous level about 70 percent to about 85 percent.

Chugoku Electric Power has shut down the flue gas desulfurization equipment at the Tamashima No. 3 generator regardless of the high cost because there are no prospects for early recovery from the water shortage in the Takahashi River water system. In addition, the high demand for electric power with the severe lingering summer heat is continuing. The scheduled inspection of the Mizushima power plant No. 2 generator (156,000 kilowatts) which had been in full operation with Tamashima also has been completed and, since it will begin operation starting on 14 September, it aims to direct part of the Tamashima No. 3 generator reduced water to the Mizushima No. 2 generator.

So far, the company has reused treated water from the drainage treatment plant on the premises which normally flows into the sea and treated water from the Kurashiki city sewage treatment plant as coolant water for various equipment at both power plants. As a result, the company was able to reduce the industrial water at the stage of stopping the Tamashima No. 2 generator desulfurization equipment by about 1,600 tons a day, and now it says that it can further reduce it to 2,900 tons a day.

Mongolia

New Envoy to Russia Urges Imporoved Trade

LD2009123894 Moscow ITAR-TASS in English 1210 GMT 20 Sep 94

[By ITAR-TASS correspondent Kim Boldokhonov]

[Text] Ulaanbaatar September 20 TASS—"The restoration and expansion of cooperation with Russia, including commercial and economic contacts, is dictated by Mongolia's present need to overcome the economic crisis. It is the call of our time," Nadmidiin Bavuu, the new Mongolian ambassador to Russia, told the newspaper "ARDEN ERH".

One of the roadblocks, holding back the expansion of trade between the two countries, the ambassador believes, is the excessive three-fold (customs tariffs, value-added tax, and excises) taxation of the traditional Mongolian export goods and raw materials. This has created great difficulties for their delivery to the huge Russian market.

On the other hand, it is impossible to overlook the haphazard fulfilment of Mongolia's applications for Russian machinery, equipment, commodities, and raw materials due to the economic difficulties now experienced by the Russian Federation.

The Mongolian ambassador believes that the commercial and economic recession between Mongolia and Russia is temporary. "Positive results will be achieved very quickly if both sides exert maximum efforts to restore them on the basis of the new realities," the ambassador stressed.

High Radioactivity Levels Reportedly Detected

LD1609132394 Moscow ITAR-TASS World Service in Russian 0803 GMT 16 Sep 94

[Text] Ulaanbaatar, 16 Sep—"Strontium-90 has once again been discovered in the capital. Radioactivity in the contaminated zone is two or three times higher than the permitted level." This alarming news was reported by the newspaper ARDYN ERH today, which said the danger has arisen because of a breach of basic safety regulations. Manlai, a road-building firm, which wanted to use a nearby mound of gravel, began extracting gravel from it and used it to repair a road. The mound turned out to be the burial site of radioactive soil removed from another part of the city last year. A protective fence and warning signs which had been erected round the dangerous site had been stolen.

North Korea

Kim Yong-sam 'Civilian Government' Condemned

SK2109104294 Pyongyang KCNA in English 1031 GMT 21 Sep 94

["Fake 'Civilian Politics' Violating Human Rights"—KCNA headline]

[Text] Pyongyang, September 21 (KCNA)—The abuses of human rights under the "civilian government" at present vividly show that the traitor Kim Yong-sam's commitment to "civilian politics" is an empty talk, a naked lie, says NODONG SINMUN today in a by-lined article titled "fake 'civilian politics' violating human rights".

The article further says:

If democratic politics and civilian politics guaranteeing human rights is to be enforced in South Korea, a colonial fascist society, the "National Security Law" [NSL] and other fascist laws must be scrapped, such suppressive tools as the "Agency for National Security Planning" and the "Army Security Command" be dismantled, the fascist dictatorship be rejected and measures be taken to practically defend and guarantee the democratic freedom and human rights of the people. The traitor Kim Yong-sam, however, keeps the fascist laws and fascist suppressive machines and further increases their repressive functions and forces.

The Kim Yong-sam clique indiscriminately arrest innocent people who hold rallies and demonstrations for the right to existence, independence, democracy and reunification after establishing a grisly "new security-oriented rule".

The most reactionary and anti-popular abuses of human rights are to deprive the people of the freedom of thought and idea, speech and press and violate them.

By invoking the notorious "NSL" the Kim Yong-sam clique incriminate and punish the people who follow, study and disseminate the immortal chuche idea. And they arrest and punish the people who possess, read, publish or sell North-related books on the charges of "possessing enemy-benefitting materials" under the "NSL". The fascist clique unhesitatingly committed such anti-ethical barbarous act as suppressing the people who expressed condolences on the misfortune of fellow countrymen and attempted to send a mourning mission on the unreasonable charges of "sympathy for the enemy" and "communication and meeting with the enemy".

All manner of brutal tortures are practised in South Korea today to force the people to false confessions and ideological conversion. Numberless are the people who died while resisting tortures, not abandoning their principles.

All this clearly proves that without the overthrow of the Kim Yong-sam "regime" it is impossible to solve the human rights problem in South Korea.

Removal of South 'Traitor' Kim Yong-sam Urged

SK2109050494 Pyongyang KCNA in English 0455 GMT 21 Sep 94

["NODONG SINMUN Calls for Removal of Traitor Kim Yong-sam"—KCNA headline]

[Text] Pyongyang, September 21 (KCNA)—More than one year and a half have elapsed since the Kim Yong-sam group took power, but it has committed hideous and monstrous crimes against the country and the nation, declares NODONG SINMUN in a signed article today. Calling for the removal of the traitor, the paper notes:

One of the greatest crimes of the Kim Yong-sam group is that it has driven South Korea into a more woeful catastrophe than in the "Fifth and Sixth Republics", deceiving people with the false "civilian" veil and fake "reform".

What the Kim Yong-sam group has done while advertising a "reform" is that it has established a more brutal "civilian" dictatorship than that of the "Fifth and Sixth Republics", made the "National Security Law" and the "Agency for National Security Planning" more venomous and doubled the intensity of suppression, bloodily cracking down on the actions of workers for the right to existence by invoking the "emergency arbitration power".

They promised to build "a leaping economy" and "an economy with minor enterprises as the main factor." In actuality, however, they have reduced the South Korean economy to "a sample of deficit economy and dependent economy". During the last one year alone, they wrung the necks of more than 4,300 minor enterprises and built a large army of unemployment one million strong.

Behind the curtain of "liquidation of corruption", Kim Yong-sam has piled up fortunes by every conceivable swindle to rank seventh on the South Korean ladder of wealth.

Another great crime of the Kim Yong-sam puppet clique is that they have aggravated the North-South relations and confrontation, desperately blocking national reconciliation, unity and reunification.

Saying that he "cannot shake hands with a party possessed of nuclear weapons," Kim Yong-sam has totally frozen the North-South dialogue which had been held even in the days of the preceding military dictatorship and torn up the North- South agreement and the joint declaration on denuclearisation like a sheet of waste paper.

The Kim Yong-sam group resumed the "Team Spirit" nuclear war exercises together with outside forces, which had been suspended toward the end of the "Sixth Republic" and committed provocative war gambles against the North quite often, bringing the situation to the brink of war.

Far from observing the etiquette of expressing condolences over the misfortune of fellow countrymen, the Kim Yong-sam group fired at them in grief and wielded the bayonet at the people who were mourning over it, bringing back to the original point of acute confrontation the situation which had been flowing toward reconciliation and unity. This is the most heinous treachery which can never be condoned.

The external policy of the Kim Yong-sam group is run through with flunkeyism and treacheries. The puppets fully opened the rice market on which the existence of the people was in stake in order to have a "cooperation system" established and "sanctions" taken against the fellow countrymen in the North. To put a spoke in the wheel of the DPRK-U.S. talks, the puppets set "North-South dialogue" as a precondition and are running about in mendicant diplomacy, crying for "special inspections" and "progress of North-U.S. talks in parallel with North-South talks" even today when the DPRK-U.S. talks have advanced far and the implementation of the agreed statement is on the order of the day.

To make the long story short, what the Kim Yong-sam group has done in the one year and a half after taking power are all flunkeyist and treacherous acts. And they all ended up in failure and bankruptcy, bringing grave consequences to the entire fellow countrymen and the South Korean people.

It is a disgrace to history that there exists such a fascist ruffian, flunkeyist traitor and human derelict as the traitor Kim Yong-sam who is steeped in fascism, flunkeyism, treacheries and divisive acts, ignorant of philosophy and politics and of the nation, ethics and morality in the era of independence and civilization.

The earlier the removal of the root cause of evils, the better.

Korean Lawyers' Association Publishes Memorandum

SK2009152494 Pyongyang KCNA in English 1515 GMT 20 Sep 94

[Text] Pyongyang, September 20 (KCNA)—The Korean Democratic Lawyers' Association on September 19 published a memorandum exposing to the world the harsher violations of human rights under the "National Security Law" (NSL) in South Korea after Kim Yong-sam took office.

The memorandum in the first part cites data to prove that the "NSL" is the worst anti-democratic law in history.

The "NSL" is a typical anti-democratic law that has earned itself ill fame by totally smothering the desire and demand of the students and people for independence and democracy in society and vital rights and suppressing and punishing them.

"Recommendations on revision or repeal of anti-democratic laws," a book published in South Korea, says that "the 'Agency for National Security Planning' arrests without warrants the students, intellectuals, workers, farmers and poor people critical of the dictatorial 'government,' takes them into custody totally separated from outside, wrests from them false confessions of their being 'pro-communists' and 'spies' through violence, threat and torture and punishes them by invoking the 'national security law'."

Under the "NSL" the Kim Yong-sam fascist clique is harshly suppressing not only the patriotic students and democrats who take the lead in the struggle for independence and democracy in society but also the workers and farmers calling for vital rights.

In eleven days from July 9 when the news about the death of the great leader President Kim Il-song was published, the fascist clique walked off 48,300 students and people, imprisoned 740 of them, and hurled into Yonsei and other universities thousands of police who clubbed students who were mourning his death, making them bruise all over.

In the second part, the memorandum says the "NSL" is a heinous anti-reunification law.

The "NSL" is a heinous anti-reunification law which defines fellow countrymen as the "enemy" and is designed to destroy the national reunification movement by branding it as an "enemy-benefitting" action and perpetuate the division of the country.

"Beginning with the general rule of Chapter 1, the 'NSL' defines the DPRK and the patriotic overseas Korean organisations as 'anti-state organisations' and the entire population of the North and conscientious overseas Koreans as 'members of the anti-state organisations.'

"The 'NSL' stipulates that 'those who infiltrate into the South from the area under the control of the North or those who escape to that area' shall be sentenced to prison terms of less than ten years and that those who receive orders from the North and those who infiltrate into or run away to the North to receive its orders shall be sentenced to penalties up to death." (the South Korean magazine WOLGAN INGWON, June 1992)

Today the traitor Kim Yong-sam is getting overheated in the anti-national, anti-reunification acts, putting his predecessors into the shade, by invoking the "NSL," a political barrier to reunification.

During the fifth PNR [pan-national rally] (August 1-15) the Kim Yong-sam fascist clique arrested a total of 2,400 students, dissidents and other people across South Korea by invoking the "NSL". (South Korean radio No. 1, August 15, 1994, and MBC of South Korea, August 17, 1994)

Facts clearly show that without repealing the "NSL" which defines the North as "anti-state organisation" and its population as "members of the anti-state organisation", neither the reunion of separated families and relatives nor the dialogue and improvement of relations between the North and the South nor the reunification of the country can be expected.

In the third part, the memorandum says the "NSL," an anti-historic law going against the trend of the present time, is rejected at home and abroad.

The August 11 special statement of the U.S. State Department urged a revision or repeal of the "National Security Law" saying that the United States had several times expressed concern over the human rights violations by the "NSL" and made clear its position desirous of its repeal or revision.

The memorandum stresses:

It is a shame and disgrace to humankind that there exists such a murderous law as the "NSL" and there remains such a grave of human rights and democracy as South Korea on the globe today.

The Korean Democratic Lawyers' Association expresses the belief that the international human rights organisations and legal organisations of various countries will take measures to lift up voices condemning the South Korean Kim Yong-sam "government's" heinous crimes in strangling democracy and violating human rights in reliance on the "NSL."

ROK Poster Urges End of Antichuche Campaign

SK2109042894 Pyongyang KCNA in English 0415 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—A literature in the name of the National Independence Society, dated September 12, was pasted up on a wall of a store in West Gate District, Seoul, the Seoul-based radio Voice of National Salvation reported.

Painted on the top left side of the 60x95 cm paper was the tower of the chuche idea, beside which were the letters in red reading "Dissemination of chuche idea cannot be checked."

The leaflet said:

"Chuche idea study groups have been formed and are active in every nook and corner of the world. And there are many people and organisations following the chuche idea in the United States and Japan, too. But they are not an object of repression.

"The 'civilian' fascist group, however, incriminates the devotees of the chuche idea founded by the leader of the nation and suppresses them by invoking the 'National Security Law.' This is a crime against the nation and democracy.'

"We demand that the Kim Yong-sam 'civilian' fascist group immediately stop the campaign of 'wiping out the chuche idea faction,' release the arrested scholars at once, abolish the anti-national, anti-democratic, anti-reunification 'National Security Law' and step down without delay as demanded by the people," the literature said.

Involvement in Rangoon, KAL Incidents Denied

SK2109045394 Pyongyang KCNA in English 0437 GMT 21 Sep 94

["Japan Cannot Gain Anything From Outdated Hostile Policy Toward Korea"—KCNA headline]

[Text] Pyongyang, September 21 (KCNA)—Kozo Igarashi, chief cabinet secretary of Japan, answering to question at the Audit Committee of the House of Councillors on September 16, said "it is a unanimous view of the whole government still now" that the DPRK "was involved" in the "Rangoon incident" and "KAL plane incident", according to a report.

This is a declaration that the present Japanese authorities are taking an anti-DPRK posture in league with the South Korean puppets.

As everyone knows, the "Rangoon incident" and the "KAL plane incident" were dramas of the puppets themselves, which had nothing to do with the DPRK.

The "Rangoon incident" in 1983 was a drama staged by Chon Tu- hwan, the dictator of the "Fifth Republic", to find a way out of the political crisis created in South Korea in those days in removing the political adversaries and inciting the consciousness of anti- North confrontation. And the "KAL plane incident" in 1987 was a premeditated homicidal drama stage-managed by Chon Tu-hwan and his successor No Tae-u the dictator in accordance with the "strategy of presidential elections" to maintain and prolong the military dictatorial "regime" without difficulty.

However, the chief cabinet secretary of Japan, surprisingly enough, spun out the anti-DPRK trash which can be uttered only by the South Korean puppet Agency for National Security Planning. Could he dare let out such an outcry, if he had a shred of political reason?

We cannot but remain an on-looker to this.

Igarashi's jargon shows that whatever cabinet may appear in Japan, there is no change in her outdated Korea policy; this typically reveals the conservative and reactionary nature of the present Japanese Government.

Japan must clearly know that it cannot gain anything from its outdated hostile policy toward Korea.

Japan is under the unavoidable obligation not only to make sincere apology and compensation for aggression, colonial domination and wartime crimes of the Japanese imperialists in the past but also fully atone for the crimes she committed against the Korean people while antagonizing the DPRK after the war.

The Japanese authorities must clearly see the trend of the times, give up the anachronistic hostile policy toward the DPRK and no longer do such rash act as lifting the stone only to drop it on their own feet.

We will watch the future acts of the Japanese authorities.

Committee Greets Ghanaian National Congress

SK2109044394 Pyongyang KCNA in English 0429 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—The Central Committee of the Workers' Party of Korea Monday sent a message of greetings to the second annual convention of the National Democratic Congress of Ghana.

The message said the convention would mark an important occasion in the strengthening of the party and in the implementation of its line of building a genuine democratic state, just and prosperous.

The message expressed the belief that the excellent friendly and cooperative relations between the two parties and the two peoples would grow stronger and develop, and wished the convention success.

Greets Panamanian Party Leader

SK2109044294 Pyongyang KCNA in English 0427 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—The Central Committee of the Workers' Party of Korea Tuesday sent a message of greetings to Gerardo Gonzalez, chairman of the National Executive Committee of the Democratic Revolutionary Party of Panama, on the 15th anniversary of the founding of the party.

The message expressed the belief that the friendly relations between the two parties would continue to expand and develop and wished the Panamanian party and its chairman greater success in their activities to strengthen the party and defend the sovereignty of the country and the nation.

30th Anniversary of Maltese Independence Marked

SK2109101894 Pyongyang KCNA in English 1009 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—Papers here today dedicate articles to the 30th anniversary of the independence of Malta.

NODONG SINMUN says in a signed article that since the independence the Maltese Government and people have renewed the country through their vigorous drive to build a new society.

Malta has maintained a non-aligned position and striven to ensure Mediterranean stability and peace and develop relations with the countries in this region, the paper points out, and goes on:

The establishment of diplomatic relations between Korea and Malta at the ambassadorial level on December 20, 1971 was of weighty significance in developing friendship between the two peoples.

The friendly relations between the two peoples of Korea and Malta will develop favourably in the idea of independence, peace and friendship.

MINJU CHOSON says in a signed article that the Korean people wish the Maltese people greater success in their efforts for the independent development and prosperity of the country.

Photo Exhibit of Relics Displayed at UNESCO

SK2109100594 Pyongyang KCNA in English 1000 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—A photo exhibition of historical relics of the Democratic People's Republic of Korea took place at the UNESCO building from September 5 to 7.

Hillig, a director of the External Relations Bureau of the UNESCO, said after seeing the exhibition, that he learned well that the Korean people have a long history and have built a splendid national culture by retaining their inherent traditions.

Lokisso, an expert at planning of the Educational Bureau of the UNESCO, said that through his visit to Korea, he deeply felt Korea is the most advanced country in education, adding: "Everyone must draw on the experiences of Korea."

The Togolese representative at the UNESCO had this to say:

"Through the exhibition, we have come to know well that the DPRK Government attaches great importance to the excavation and preservation of historical relics."

The Omani representative at the UNESCO said that the exhibition was a perfect success and was flawless both in content and quality.

Chantal Cousin, chairperson of the French Committee to support the proposal for founding the Democratic Confederal Republic of Koryo, said:

"Korea has made wonderful achievements in all aspects of social development including the excavation and preservation of historical relics.

"The exhibition is a good occasion in showing the achievements of Korea."

Foreigners Support 10-Point Program of Unity

SK2109043494 Pyongyang KCNA in English 0421 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—A signature campaign for support to "10-point programme of the great unity of the whole nation for the reunification of the country" propounded by the great leader President Kim Il-song conducted in different countries.

Alphonse Rugambarara, chairman of the party for Press Freedom of the Burundian People and minister of culture, youth and sports, signed the signature paper in the capacity of a cabinet minister and on behalf of his party on September 13, and Ayub M. Kimbau, chairman of the Foreign Affairs and International Cooperation Committee of the National Assembly of Tanzania, on behalf of 40,000 inhabitants of Mafia District, Pwani State, Tanzania.

Alphonse Rugambarara said: "His Excellency Kim Chong-il, the dear leader, is wisely leading the Korean nation of 70 million in the van of the struggle for national reunification. I will invariably support the Korean people in the struggle for the independent and peaceful reunification of the country."

Earlier, the secretary of the Arusha State Committee of the Revolutionary Party of Tanzania, the secretary of the Arusha District, Arusha State, Committee of the Revolutionary Party of Tanzania, and the secretary of the Arusha State Committee of the Women's Union signed the signature paper on behalf of people of different strata.

They expressed their hope that Korea would be reunified independently and peacefully at an early date as wished by President Kim Il-song.

In Egypt, Maurice Bibawi, deputy president of the Mantek Corporation; Ragab El Shinawy, president of the Sunlight Shipping Agence Company Ltd. in Port Said; Abdel Moneim El Salamoni, deputy editor of the newspaper EL MESSA and Muhammad Sami, director of the editorial board of the newspaper AL-TAAWON signed the signature paper on behalf of their employees between August 25 and September 7.

Koreans in Japan Thank Kim Chong-il for Funds

SK2009151194 Pyongyang KCNA in English 1501 GMT 20 Sep 94

[Text] Tokyo, September 17 [date as received] (KNS-KCNA)—Korean educationers and scientists in Japan met in Tokyo on September 17 to express thanks to the dear leader Marshal Kim Chong- il for the 128th instalment of educational aid fund and stipends sent by him.

It was attended by Yi Chin-kyu, first vice-chairman, and Kwon Sun-hui, vice-chairman, of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon).

In his report, Yi Pok-nam, chairman of the Central Educational Association of Koreans in Japan, with deepest feelings of loyalty expressed highest glory and warmest thanks to the respected Supreme Commander General Kim Chong-il who has shown all paternal love and care for the strengthening and development of democratic national education of Korean residents in Japan.

He called for repaying the benevolent loving care of respected General Kim Chong-il with loyalty and filial piety by making a new advance in national education and in the work of the association of Korean scientists in Japan, changing the sorrow at the loss of the fatherly leader Generalissimo Kim Il-song into strength and courage.

Speeches were made at the meeting.

A letter to Marshal Kim Chong-il was adopted at the meeting.

Foreign Papers Carry Articles on Kim Chong-il

SK2109042594 Pyongyang KCNA in English 0409 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—Foreign newspapers carried articles on the greatness of the dear leader Comrade Kim Chong-il.

The Mozambican paper NOTICIAS RAN an article titled "Kim Chong-il, Great Leader of Korea" with his portrait.

The article said:

Comrade Kim Chong-il, a great thinker and theoretician, has enriched the chuche idea founded by President Kim Il-song, the idea that regards man as the most valuable in the world and the master of his own destiny, and applied it to all the political, economic, cultural and military fields.

The Korean people absolutely trust Comrade Kim Chong-il and are building Korean-style socialism with loyalty to his leadership.

The Maltese paper L'ORIZZONT dedicated an article to the 46th birthday of the Democratic People's Republic of Korea, saying:

In the DPRK there was established long ago the leadership system of His Excellency Kim Chong-il, chairman of the National Defence Commission and supreme commander of the Korean People's Army, who is carrying forward the cause of His Excellency President Kim Il-song.

In the DPRK, socialism has struck its deep roots in the hearts of people and the revolution and construction are vigorously advancing along a straight road under the leadership of His Excellency Kim Chong-il.

His Excellency Kim Chong-il is enriching the chuche idea that man is the master of everything and decides everything, with new principles and contents as required by the present time and the developing revolution.

With a profound knowledge, a keen insight, a broad vision and energetic pursuit, he has successfully fulfilled the historic tasks raised by the present time which no one else had done, and is leading the cause of socialism to victory.

The Peruvian paper LA REPUBLICA, the Egyptian paper AL-TAAWON and the Nigerian paper NEW NIGERIAN carried articles lauding his greatness under the titles "Kim Chong-il, Outstanding Genius," "Kim Chong-il, the Leader, Guides Revolution and Construction," etc.

People's Trust in Kim Chong-il Leadership Noted

SK2109101694 Pyongyang KCNA in English 1005 GMT 21 Sep 94

["The North Owes Its Stability to the Great Leader Kim Chong-il"—KCNA headline]

[Text] Pyongyang, September 21 (KCNA)—It is thanks to the great leader Kim Chong-il that the North is accelerating its vigorous march, demonstrating to the international community its independent dignity, tremendous power and national honour as in the lifetime of President Kim Il-song.

This is stressed in the article by Chong Ho-il, a political analyst of South Korea, under the title "North in Stability. What Does It Show? People's Minds Run to Great Man" which was quoted by the Seoul-based radio Voice of National Salvation [VNS].

The article said:

In the North, the people is honouring the memory of President Kim Il-song with greater yearning and all people work hard with loyalty and filial piety to implement his behests and they all move as one, maintaining a high degree of political stability after the death of the father of the nation.

In the North, the people are united ever closer in body and soul, beside the maintenance of stability.

As everyone felt in the mourning period for President Kim Il-song, the northern people identify their leader Kim Chong-il with President Kim Il-song.

The people in the North trust and follow their leader Kim Chong-il just as they did President Kim Il-song because his leadership ability and trait are the same with those of the president and his exploits are also great.

The astounding reality of the North where the party and the people brace their energies in an integral whole, keeping the situation most stable, is the height of political art which only great men in history could achieve.

The dear leader Kim Chong-il is setting for the century an example of great stable politics without precedent in the world history of politics. There is no doubt that led by the dear leader who is standing in the spotlight of the world political circles as the most outstanding great man, our nation will successfully meet all challenges at home and abroad and achieve the reunification of the country and the prosperity of the nation.

Russian Delegates Visit Kim Il-song's Statue

SK2109045194 Pyongyang KCNA in English 0440 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—A.N. Panov, Vice Foreign Minister of the Russian Federation, who is a special envoy of the president of the Russian Federation and his entourage, on a visit to Korea, called at the statue of the great leader President Kim Il-song on Mansu Hill in Pyongyang on September 20 and honored his memory.

They laid bouquets of flowers before the statue of President Kim Il-song and observed a moment's silence with bitterest sadness at the loss of the respected leader who devoted his whole life to the independence of the whole world and the happiness of humankind.

The special envoy said he was sincerely touched at the sight of large crowds of people visiting the statue of President Kim Il-song and expressed deep condolences on his death. They arrived in Pyongyang Tuesday.

Korean Group in Japan Visits Kim Il-song Statue

SK2109045494 Pyongyang KCNA in English 0443 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—The delegation of the Korean medical society in Japan headed by its chairman Hyon Chong- wan on a visit to the socialist motherland went to the statue of the great leader President Kim Il-song on Mansu Hill on September 20 and honoured his memory.

The members of the delegation laid a bouquet of flowers before the statue of the respected leader, the sun of the nation and affectionate father of the 700,000 Koreans in Japan, and observed a moment's silence with deep sorrow at his death.

The head of the delegation said he felt his heart rending on Mansu Hill and he would change the bitter sorrow into a thousand-fold strength and courage and accomplish the revolutionary cause of chuche started by him.

The delegation arrived in Pyongyang on Tuesday.

Foreign Papers, Groups Praise Kim Il-song

SK2109150994 Pyongyang KCNA in English 1501 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—The Austrian magazine DIPLOMATISCHER PRESSEDIENST made up a special issue and the Denmark-the Democratic People's Republic of Korea Friendship Association, the Mali-Korea Friendship Association, the Burundian Group for the Study of the Chuche Idea and the Burundi-Korea Friendship Association printed bulletins on the lapse of two months of the death of the great leader President Kim Il-song and the 46th founding anniversary of the DPRK.

The Austrian magazine DIPLOMATISCHER PRESSEDIENST in its special issue no.4 said that his excellency President Kim Il-song was a great leader of the revolution who founded the chuche idea, successfully shared the destiny of the nation under its banner and devoted his all to the accomplishment of the cause of socialism and global independence.

Pointing out that his excellency Kim Chong-il, an outstanding leader of the Workers' Party and people of Korea and supreme commander of the revolutionary armed forces, is standing in the van of the Korean revolution, the magazine stressed that the Korean people are making dynamic advances in all fields of the revolution and construction to resolutely defend and glorify down through generations the undying exploits of President Kim Il-song under the leadership of his excellency Kim Chong-il.

In a special issue of bulletin "President Kim Il-song Will Remain Alive in the Hearts of Progressive Mankind" on September 5, the Mali-Korea Friendship Association said that [words indistinct] years of President Kim Il-song were embroidered with his noblest responsibility for the destiny of the country and the nation, his indomitable will and his unbounded devotion to the revolutionary cause. He is the greatest of the great men deeply revered and respected by the Korean people and the world people, it noted, and stressed:

Though the heart of President Kim Il-song ceased to throb, his great exploits will be kept forever in the hearts of the Korean people and the progressive people of the world.

ROK Magazine Carries Kim Il-song Reminiscences

SK2109042194 Pyongyang KCNA in English 0403 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—The August issue of the South Korean magazine WOLGAN SAHOEPHYONGNON gave an unprecedentedly wide publicity to the great leader President Kim Il-song's reminiscences "With the Century."

It devotes 40 pages to excerpts from the first, second and fourth volumes of Part 1 the anti-Japanese revolution of the reminiscences.

Printed in it are five pictures of President Kim Il-song including those he had taken in 1926 when he organised the Down-With-Imperialism Union and in 1932 when he was organising an armed unit.

"One should have a good knowledge of history of President Kim Il-song's anti-Japanese struggle, the starting point of respect for him," says the magazine, highly lauding his great leadership ability and noble virtues as the brilliant commander of the anti-Japanese war.

Ideological Basis of Chuche Idea Praised

SK2109103494 Pyongyang KCNA in English 1025 GMT 21 Sep 94

["Chuche Idea Is Ideological Basis of Singlehearted Unity in Korea"—KCNA headline]

[Text] Pyongyang, September 21 (KCNA)—Our singlehearted unity has become the most solid and powerful unity which demonstrates its invincible might in the revolution and construction, because its ideological basis is the great chuche idea, declares NODONG SINMUN in a signed article today.

It says:

The chuche idea is, above all, the ideological basis which enables the entire people to have the centre of unity and unite around it in ideology and purpose.

The great chuche idea was the first in history to expound comprehensively the idea and theory of the revolutionary outlook on the leader, thus laying a powerful ideological basis for the popular masses to achieve a solid unity around the leader.

The revolutionary outlook on the leader indicates that a leader holds an outstanding position and plays a decisive role in the revolutionary struggle of the working class. At the same time, it gives the precious truth that the popular masses can successfully shape their destiny when they hold the leader in high esteem and are closely rallied around him.

Today our people are united as firm as a rock around the dear leader Comrade Kim Chong-il, deeply trusting him as the saviour of their destiny.

Awake or asleep, our people are resolved to uphold the dear leader with more intense loyalty and become rifles and bombs defending him with their lives. Underlying this noble mental world is the spotlessly pure and clean loyalty of our people to the leader and their revolutionary outlook on him.

The great chuche idea is also the only ideological basis which makes it possible to achieve the ideological oneness of the party and the revolutionary ranks.

The chuche idea is the idea of independence that most correctly reflects the aspirations and demand of the people making revolution in our era. And it is a scientific and revolutionary idea showing a most clear path of progress and prosperity to the popular masses.

Today the Korean people regard the chuche idea founded by the great leader Comrade Kim Il-song as their faith and think and act according to the requirement of this idea. As a result, no alien idea or way of life spread by the imperialists and reactionaries can infiltrate into our party and revolutionary ranks and the whole society is pulsating with the only and one idea, the chuche idea.

No force on earth can block the advance of our party and revolution in which the entire people are unbreakably united in one mind around the great leader on the basis of one idea, the chuche idea.

Officials Visit Revolutionary Martyrs Cemetery

SK2109044094 Pyongyang KCNA in English 0425 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—Senior party and government officials, working people and People's Army soldiers laid wreaths at the Revolutionary Martyrs Cemetery on Mt. Taesong Tuesday, harvest moon day.

A wreath from the dear leader of our party and our people Comrade Kim Chong-il was lying on the wreath-laying stand.

Present at the wreath-laying ceremony were O Chin-u, Yi Chong-ok and other senior party and government officials, leading officials of the party and power bodies, administrative and economic organs, working people's organisations and central organs, anti-Japanese revolutionary fighters, generals and soldiers of the Korean People's Army and the Korean People's Security Forces, officials of education, culture and art, public health and the press, working people and youth and students in Pyongyang.

Wreaths from the Central Committee of the Workers' Party of Korea, the Central People's Committee and the Administration Council of the DPRK and wreaths from the anti-Japanese revolutionary fighters, the Ministry of the People's Armed Forces, the commissions and ministries of the Administration Council, working people's organisations and central organs and bouquets were laid.

Senior party and government officials and working people also laid wreaths at the Patriotic Martyrs Cemetery.

A wreath from Comrade Kim Chong-il was lying on the wreath-laying stand.

Present at the wreath-laying ceremony were Vice-president Kim Pyong-sik and other senior party and government officials.

Memorial Held on Anniversary of Fighter's Death

SK2109152494 Pyongyang KCNA in English 1514 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—A national memorial service on the 45th anniversary of the death of Comrade Kim Chong-suk, an indomitable Communist revolutionary fighter (September 22, 1949) was held at the People's Palace of Culture in Pyongyang today.

Present there were O Chin-u, member of the Presidium of the Political Bureau of the Central Committee of the Workers' Party of Korea [WPK] and minister of People's Armed Forces, member of the Administration Council Kang Song-san and Vice-President Yi Chong-ok who are members of the Political Bureau of the WPK Central Committee, senior party and government officials, anti-Japanese revolutionary fighters and working people in the city.

Overseas Koreans staying in the socialist homeland were also present.

The participants observed a moment's silence in memory of Comrade Kim Chong-suk.

Choe Yong-nim, alternate member of the Political Bureau of the WPK Central Committee and vice-premier of the Administration Council, made a memorial address.

The Korean people are overcome with bitter grief on the death day of Comrade Kim Chong-suk amid the deeper sorrow at the loss of the great leader Comrade Kim Il-song and are overwhelmed with deep regret and bitter liability for failure in holding the great leader in esteem as she desired, the memorial address said.

Referring to the immortal revolutionary feats and noble virtues of Comrade Kim Chong-suk, it said:

Born into a poor farmer's family in Hoeryong, North Hamgyong Province, she embarked upon the road of the revolutionary struggle in her teens, joined in the Korean People's Revolutionary Army in autumn of 1935 and fulfilled loyalty and filial duty to the great leader with an invariable posture of a lifeguard till the last moment of her life.

Firmly believing as her unshakable faith and will that as there is the great leader Comrade Kim Il-song, there are the victory of the Korean revolution, the liberation of the country and the prosperity of the nation, she regarded it as the first duty at all times to defend the safety of the great leader and became a sentinel without shifts and a lifeguard who defended him in her whole life.

Having devoted her all to the struggle with the purest loyalty to the leader of the revolution on a highest level, she performed greater immortal feats before the nation and the revolution. What invited deeper reverence of our people is that she brought up the lodestar on Mt. Paektu so as to carry forward the revolutionary cause of chuche down through generations.

She took part in many battles and the underground and personally organized and led by the great leader in the whole period of the anti-Japanese armed struggle and greatly contributed to successfully realizing the operation intention on the headquarters. After the liberation of the country, she devotedly struggled to implement the line of building a new country put forward by the great leader as in those [words indistinct] she fought on Mt. Paektu, deeply treasured and loved comrades-in-arms and the people.

She was, indeed, a paragon of a loyal subject who devoted her whole life of clear loyalty, holding the great leader in high esteem in the grim annals of the Korean revolution, a pride of the nation who decorated every moment of her life with immortal feats for the victory of the Korean revolution and firmly ensured the inheritance of the revolutionary cause of chuche and a great woman revolutionary renowned in the century.

We are now faced an important task to accomplish the revolutionary cause of chuche started by the [words indistinct] of the dear leader Comrade Kim Chong-il said:

"We should always invariably cherish loyalty to the leader and accomplish the revolutionary cause pioneered by the leader down through generations."

The memorial address called upon all the party members and working people to wage a vigorous struggle to accomplish the revolutionary cause of chuche and the cause of national reunification, rallied close around the party Central Committee centering on the dear leader Comrade Kim Chong-il, cherishing deep in their minds the great national pride and happiness of holding him in high esteem as the great leader of our party and the revolution, true to the intention and behests of the great leader Comrade Kim Il-song in his lifetime with invariable loyalty to him.

Economic, Social Changes in Tosan County Noted

SK2109103094 Pyongyang KCNA in English 1017 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—September 21 marks the lapse of 45 years since the great leader President Kim Il-song gave on-the-spot guidance to Tosan County, North Hwanghae Province.

Tosan County is located in an area close to the Military Demarcation Line in the central part of Korea.

President Kim Il-song called at the place in September 1949, four years after the country was liberated from the colonial yoke of the Japanese imperialists. In the course of the on-the-spot guidance, he clearly indicated the way to be followed by the county such as the development of agriculture and industry and rapid improvement of the people's living standard and the strengthening of the work of the party and power bodies.

The people of Tosan County have made great achievements in the past 45 years through vigorous endeavours to fulfill the tasks set by the great leader in his on-the-spot teachings. In this period the output of grain increased five times, livestock products 82 times, fruits 29 times, vegetables 7 times and cocoons 6.5 times. And 90 percent of the paddy and nonpaddy fields have been adjusted for mechanized farming.

The county had only one reservoir created by damming a small stream before the liberation. But now there are 12 reservoirs getting water from the Imjin River and more than 200 water pumping stations in the county. Thus overall irrigation was completed long ago. Nearly twenty local industrial factories including a cement factory have made their appearance in the county which could not produce even grass goods properly. Before the on-the-spot guidance of the great leader, all the houses in the county, except one western-style house occupied by a Japanese family, were ramshackle straw-thatched cottages. But now a house of culture, a children's hall and other cultural institutions and multi-storeyed calcium silicate dwelling houses are standing in rows where all the people live a life not inferior to that of the urban dwellers.

A remarkable progress has been made in education and health care, too. Nearly 47 educational institutions from kindergartens to colleges have taken shape in the county which had only one private school before the liberation. The population there say this is their greatest pride. The county won the title of model education county in 1974. Twenty-eight institutions of health care including the County People's Hospital and Yi People's Hospitals take care of the health of the people in the county which did not have a single doctor. There is one medical worker for every 100 heads of population.

The county received thanks from the dear leader comrade Kim Chong-il, supreme commander of the Korean People's Army, several times for its sincere assistance to the People's Army and was awarded the title of Model County of Army-People Unity.

Bases of activities of small armed units during the anti-Japanese revolutionary struggle and many slogan-bearing trees were discovered recently in Pongbul, Suhap and Munsong ri of the county. Among the slogans are "Long Live the Lodestar of Mt. Paektu" and "Twenty Million Stars Look Up to the Orion's Belt."

Increase in Electric Power Output Reported

SK2109042694 Pyongyang KCNA in English 0411 GMT 21 Sep 94

[Text] Pyongyang, September 21 (KCNA)—Electric power output is picking up at hydro-power stations of Korea.

According to data available, the average daily output in a little more than the first half of this month was 20 percent up on the comparable period of last month.

The workers of the March 17 united hydraulic power station, the Hochongang power station and the Kanggye youth power station are overfulfilling their daily assignments by operating all the equipment at full capacity, having found the reserves of production in technical innovation and scientific control of the generating equipment.

The minor power stations in North Pyongan and Chagang Provinces have more than doubled the power output this month as against the same period last year.

Hwanghae Iron Complex Workers Fulfill Target

SK2109010194 Pyongyang Korean Central Broadcasting Network in Korean 1200 GMT 20 Sep 94

[Text] Workers at the Hwanghae Iron Complex are continually vigorously pushing ahead with construction of an after-treatment facility in the blister steel workshop for production of heavy-duty railroad tracks.

The combatants in the pipe-making workshop, who are charged with crane, roof terrace, and assembly of (?under boards), resolved difficult and complex problems with their own strength by displaying the revolutionary spirit of self-reliance and arduous struggle. Thus, they have successfully completed the assembly of (?under boards) within the planned period of time.

In addition, the fighters who rose in the construction of the after-treatment facility in the pipe-making workshop established a high daily combat target to complete unconditionally the assigned project within the planned time, and overfulfilled each day's plan without fail.

South Korea

Ministry To 'Demand' U.S. Base Relocation

SK2109054894 Seoul YONHAP in English 0544 GMT 21 Sep 94

[Text] Seoul, Sept. 21 (YONHAP)—The Defense Ministry will demand the relocation of the American base on Mt. Huksong, where Independence Memorial Hall is located, under the Korea-U.S. Status- of-Forces Agreement (SOFA), Rep. Kim Won-ung Wednesday quoted Defense Minister Yi Pyong-tae as saying.

The demand comes in response to a letter sent to Yi on Aug. 15, National Liberation Day, by the "Parliamentarians' Club sharing opinions on national problems" asking that the U.S. base on the mountain be moved.

In the letter the club, which consists of 21 lawmakers from the opposition Democratic Party (DP), insisted "the fact that a foreign base is located on the top of the mountain, the nation's holy place, defames national self-esteem and the country's dignity."

"We will first discuss voluntary removal by the U.S. side and will solve the possible cost problem in consultations with the Independence Memorial Hall," Yi was quoted as saying.

DPRK Envoy to U.S. on Kim Il-song's Pledge

SK2109082694 Seoul YONHAP in English 0812 GMT 21 Sep 94

[Text] Atlanta, United States, Sept. 20 (YONHAP)—North Korean Ambassador to the United Nations Pak Kil-yon delivered Kim Chong-il's message to former U.S. President Jimmy Carter last Monday [19 September] vowing to carry out what Kim Il-song had pledged to do before his death last July.

Sources familiar with the Carter Center said Tuesday the message, however, did not say how and when the deceased's life-time pledges would be translated into action.

"Mr. Carter has already been invited by North Korea to revisit Pyongyang," said one of the sources, adding he is likely to visit North Korea when inter-Korean dialogue could resume and when he thinks he has some specific duty to do.

Meanwhile, during his meeting with South Korean Ambassador to Washington Han Sung-su on Tuesday, Carter made it express that he would exert efforts to solidify peace on the Korean peninsula not as a governmental envoy but purely on a private basis. "I will closely cooperate with President Kim Yong-sam's government so far as inter-Korean issues are concerned," Carter was quoted as saying.

U.S. Studies Measures To Allay Seoul Concerns

SK2109021594 Seoul YONHAP in English 0206 GMT 21 Sep 94

[Text] Washington, Sept. 20 (YONHAP)—The United States is considering measures to allay South Korea's concerns over the recent improvement in Washington-Pyongyang relations, informed sources here said Tuesday.

The sources, who are involved deeply in Korean affairs, also said they expected Washington and Pyongyang to exchange liaison offices by year's end or in early February at the latest. They added that the two countries had consulted on procedural matters concerning the opening of liaison offices at the recently concluded expert-level talks in Pyongyang.

The sources noted that some American policy-makers feel the South Korean Government has every right to be concerned over the rapid improvement in U.S.-North Korean relations.

The White House, accordingly, is drawing up concrete plans to ease Seoul's worries over the matter.

In addition, they attached significance to Washington's having taken a new perspective on the Seoul government's position and its move to allay the South's concerns. The sources, however, added that the White House has yet to present any concrete steps to the Seoul government.

The warming of relations between Washington and Pyongyang is an established fact that cannot be reversed, although the third round of high-level talks between the two sides slated for Friday [23 September] could have a great impact on further developments.

The U.S. Congress is also moving to alleviate Seoul's concerns over the improvement in Washington-Pyongyang ties, according to sources well versed in the workings of Congress.

The Senate is expected to adopt a resolution on normalization of relations between Washington and Pyongyang, said the sources, adding that a similar step was taken when Washington and Beijing normalized relations.

The resolution will make it clear that diplomatic normalization between the United States and North Korea is one thing and recognition of the Pyongyang regime's ideology and legitimacy is quite another, according to the sources. However, the resolution will take the form of a "common sense of the Senate" which is not legally binding, in consideration of the White House position on the matter, they said.

In the meantime, a U.S. Government official said American officials had already visited the proposed site for the U.S. liaison office in North Korea while in Pyongyang for working-level talks.

Seoul Seeks Resumption of Inter-Korean Dialogue

SK2109025694 Seoul YONHAP in English 0238 GMT 21 Sep 94

[Text] Seoul, Sept. 21 (YONHAP)—The South Korean Government is seeking to resume the recently stalled dialogue with North Korea, using the Washington-Pyongyang high-level talks slated to open Friday [23 September] and a possible visit to the North by former U.S. President Jimmy Carter as momentum.

The government is considering preliminary contacts with North Korea to discuss an inter-Korean summit after Kim Chong-il takes over as state president and general secretary of the Workers' Party, a government official said Wednesday.

Seoul, however, is willing to craft a flexible plan that would accept other forms of dialogue such as high-level talks or a joint nuclear control commission instead of a summit if Pyongyang so desired.

"Carter is likely to visit Pyongyang after the U.S.-North Korea high-level talks as he has already received an invitation from Pyongyang," the official said. "The government is preparing countermeasures as a visit to Pyongyang by Carter could serve as momentum to resume the stalemated inter-Korean dialogue."

He said, "Carter is likely to sound out the opinions of Kim Chong-il on the summit during his stay in North Korea if his visit to Pyongyang is realized. The government stance that the agreement to hold a summit in June is valid has not changed." [sentence as received]

However, he pointed out that "the power succession in North Korea after the death of Kim Il-song should be completed before the summit. The date and the site of the summit, in particular, should be discussed at preliminary talks."

The official suggested that the government has not studied making any proposals in the current phase. "It is important for North Korea to express its position first on the summit as the scheduled summit on July 25 was aborted due to an incident in North Korea (the sudden death of Kim Il-song)."

"It is desirable to have a summit as soon as possible, even in October," he said.

Meanwhile, President Kim Yong-sam sent a letter to Carter Tuesday through his ambassador in Washington, Han Sung-su, paying his respects and expressing support for Carter's efforts to mediate in improving Seoul-Pyongyang ties such as by arranging a summit.

Carter recently voiced willingness to visit Pyongyang again to mediate in the stalemated inter-Korean relations. He visited the North Korean capital from June 15-18 and met with the late Kim Il- song to achieve a breakthrough.

Denies Asking Carter To Mediate

SK2109030394 Seoul YONHAP in English 0257 GMT 21 Sep 94

[Text] Seoul, Sept. 21 (YONHAP)—The presidential office said Wednesday that President Kim Yong-sam did not ask Jimmy Carter to mediate per se in arranging an inter-Korean summit.

"President Kim's response to former U.S. President Jimmy Carter was an expression of appreciation for his various efforts for inter-Korean reconciliation," an official said. "President Kim's response rates highly Mr. Carter's efforts and calls for close mutual cooperation when there are matters that require consultation," he said.

Kim's message was delivered through South Korean Ambassador to Washington Han Sung-su, who met Carter in Atlanta, Georgia, where the former president has established the Carter Center.

The former President had sent a letter to Kim last week expressing his eagerness to become involved in inter-Korean affairs. Carter previously traveled to North Korea in June and brought back a proposal to Seoul for an inter-Korean summit.

Seoul agreed but the summit was virtually aborted after the sudden death of North Korean President Kim Il-song.

Kim Chong-il's Son at School in Switzerland

SK2109094494 Seoul KBS-1 Radio Network in Korean 0800 GMT 21 Sep 94

[Report by correspondent Yi Il-hwa from Tokyo]

[Text] The youngest son of North Korea's Kim Chong-il is now attending a foreigners' school in Switzerland, Japan's SHUKAN BUNSHUN reported on 21 September.

The weekly published a photo of Mun Kang-chol, the 13-year-old son of Kim Chong-il, who now lives at a luxurious apartment in Bern, Switzerland. The report states Mun Kang-chol was born to Kim Hye- suk, Kim Chong-il's third wife, and is currently studying at the foreigners' school where the tuition totals one million yen annually.

The weekly added that Western and ROK intelligence organs are already aware that Mun Kang-chol is Kim Chong-il's son.

* Kim Chong-il's History, Tasks Analyzed

942C0186A Seoul HANGYORE SINMUN in Korean 11-19 Jul 94

[Article in eight installments by Songgyungwan University Professor Yi Chong-sok: "An In-Depth Analysis: Kim Chong-il"]

[11 Jul p 5]

[Text] In the aftermath of Kim Il-song's death, public concern is now focused on Kim Chong-il, the successor. For two decades since his official designation as the heir apparent in 1974, Kim Chong-il has been laying the foundation of a successor regime while being groomed to be the "leader." For this background plus the fact that there is no good alternative, the transfer of power to him is expected to be carried out without a hitch. The problem is what will come after that. Can he really lead the North Korean state as he should? No one can answer the question readily at the moment. But a look at how much charisma, meaning a grip on the masses, he has been able to build in the North Korean society may give us a clue to an answer.

Birth, Genius Played Up

From the standpoint of democratic process, the course through which Kim Chong-il was made the successor clearly lacks legitimacy. Unlike his father, he is not a survivor of the anti-Japanese struggle. Nor did he experience a long party life and power struggle to climb to the top place. His serious involvement in North Korean politics began in 1967. Indeed, he has since been quite active but the first and foremost reason that he became the successor at age 32 was, unquestionably, his powerful father, Kim Il-song. However, with the halo of the "great leader" alone, it was difficult to have the masses uphold him as the future "leader." Therefore, as the successor regime was unveiled to the world in the 1980's, the North Korean leadership embarked on a program to build charisma in Kim Chong-il. The program, theoretically, led to the completion of a succession theory modeled on Kim Chong-il. In practice, it took the form of a cult-of-personality campaign to create legitimacy and charisma for him.

The personality cult drive began with the publication of his biography in 1982. In it, the North Korean ideologists (ideologues), working in the absence of democratic legitimacy, set out to emphasize the element of innate legitimacy. They began highlighting his "revolutionary family," the parents in particular—Kim Il-song, the leader of the anti-Japanese guerrilla unit, and Kim Chong-suk, member of that unit—and his own "unusual genius."

Entering the late 1980's, the charisma building work went on to spread—atop a combination of the history of the anti-Japanese struggle and the image of Mt. Paektu—a prophetic faith about the appearance of Kim Chong-il. It was in this period, the second phase of the charisma building work, that the North Korean ideologues concocted a story that Kim Chong-il was born at a secret camp at the foot of Mt. Paektu. Actually, he was born in the Soviet Union on 16 February 1942 after the Kim Il-song guerrilla unit had moved there. The "birth at the Mt. Paektu secret camp," which first appeared in a biography written by Koreans living in Japan, had the effect of superimposing the image of Kim Chong-il upon that of the anti-Japanese revolution and Mt. Paektu. It was elevated to a myth.

While promoting the "birth at the Mt. Paektu secret camp" as an official record, the North Korean ideologues launched a large-scale new campaign in 1987, this time exhorting the people to "study slogans written on trees." The purpose of the campaign was to instill the North Korean people with what they said were prophecies by anti-Japanese patriots that Kim Chong-il was destined to be the future leader. They claimed that during their anti-Japanese fighting, guerrillas celebrated Kim Chong-il's birth as the birth of a new future leader (Paektu Lodestar) by stripping trees of their bark and writing on them slogans like "The Mt. Paektu Lodestar has appeared. He is destined to be the leader of the 20-million Korean people." They claimed that those trees were still there. Needless to say, the so-called slogan trees obviously existed, but it is simply impossible historically that any of them carried such slogans as alleged.

Thus, Kim Chong-il has been trying to build a charismatic image for himself by emphasizing his innate legitimacy. But the innate legitimacy alone is not enough to make him the "leader." If he attempted to build charisma by his innate legitimacy alone, the charisma thus built would be nothing more than a lone star.

Spontaneous Expressions of Respect Not High Enough

Kim Chong-il thus far has made efforts in various ways for charisma, which is the first and foremost requisite for the successor. It is observed, however, that the masses are showing an attitude toward him markedly different from the one they showed toward his father in their expressions of respect, trust and obedience. Observers say that their expressions of respect and obedience to Kim Il-song were mostly spontaneous. But the same observers would not say the same thing about their attitude toward Kim Chong-il.

In short, Kim Chong-il still lacks the charisma of his father. Therefore, it can be said that, despite North Korea's protracted struggle for an established successor regime, Kim Chong-il has just made a start upon the death of Kim Il-song as far as the cause of charisma is concerned.

Now, emerging from the shadow of his father, can he win the support of the masses and build charisma of his own solidly and over a long-term basis? There is no quick answer at the moment. One thing is clear, however, and it is that the viability of a Kim Chong-il era minus a charismatic Kim Chong-il is difficult to imagine.

[12 Jul p 5]

[Text] Since Kim Il-song's death, some people in our society have been loudly debating the possibility of the North Korean military's mounting an anti-Kim Chong-il coup d'etat, as if such a coup were about to happen. Stating my conclusion first, there is virtually no such possibility. In the present situation, it can be said that Kim Chong-il is firmly in control of the military. An overall review of trends indicates that speculations of a coup are nothing more than "wishful thinking."

Kim Chong-il, who is to be North Korea's new "leader," has been involved in military affairs, too, since the latter half of the 1970's. In the initial years, his role was to provide partial guidance in limited areas including ideological education. It is known, however, that he has been broadening his involvement since he was anointed as the successor and became a member of the party Military Committee at the sixth congress of the Workers Party of Korea [WPK] in October 1980.

Although Kim Chong-il has no experience in guerrilla activity as his father had nor in military service, there is no question that he is the supreme commander of the military. Of all the groups, the North Korean military was the first to pledge loyalty to Kim Chong-il. Immediately after he was elected to the Political Committee of the WPK Central Committee, NODONG SINMUN in its editorial on 25 April 1974, marking the so-called "anniversary of the founding of the Korean People's Revolutionary Army," swore allegiance to Kim Chong-il, exhorting the people to have "the rock-firm faith that it is an honor to live and to die on the path to carry through the teachings of the leader and the policies of the party center."

The North Korean military is defined as belonging to the party. While it is basically under party control, Kim Chong-il has been particularly concerned about ensuring his leadership. Kim Il-song turned over the post of the Supreme Commander of the Korean People's Army [KPA]—which he had held since July 1950—to Kim Chong-il in December 1991, and the chair of the National Defense Commission in April 1993, to ensure the latter's control of the military in the event of an accident on his part. In addition, O Chin-u (ranking third in the party hierarchy)—who was the mastermind of the 1969 military purge, and who they say was once on the verge of death in a traffic accident when rescued by Kim Chong-il's profound solicitude—has been assisting him as minister of People's Armed Forces since May 1976. And Kim Chong-il already tested his authority as the supreme commander by carrying out a large-scale military shake-up involving high-ranking officers in April 1992. Therefore, judging from the present circumstances, it seems to be safe to conclude that Kim Chong-il is firmly in control of the military now.

Currently, the top brass supporting the Kim Chong-il leadership consists of roughly three different groups in terms of their backgrounds. Ex-anti-Japanese guerrillas are the first group, which includes such revolutionary veterans as Marshal O Chin-u, minister of People's Armed Forces, and Choe Kwang, chief of the General Staff of the KPA. Most of them are vice marshal or higher in ranks and none lower than full general. Among the generals are Kim Chol-man, Yi Ul-sol, Paek Hak-nim and Yi Tu-ik, who are currently members of the National Defense Commission or the party Military Committee. In the case of Vice Marshal Kim Pong-yul, member of the National Defense Commission, although he did not originally belong to the guerrilla unit, he joined it from the Soviet Army when the unit was operating from a "Northeast Anti-Japanese Allied Forces base" inside Soviet territory from July 1942. In a broad sense, therefore, he can be seen as belonging to this group.

Viewed in this light, it can be said that marshals and vice marshals of the KPA are mostly first-generation revolutionaries with their roots in the anti-Japanese guerrilla unit. Of them, Yi Ul-sol, Yi Tu-ik and Paek Hak-nim are former members of the juvenile company or the chidlren's corps of the Kim Il-song guerrilla unit. They lived throughout the anti-Japanese armed struggle with Kim Il-song and, after Liberation, served in the KPA under his special care. As a result, they hold the highest level of loyalty to Kim Il-song. They precisely constitute the core of support for Kim Chong-il, it can be said. However, as the first-generation revolutionaries are aging, their role is expected to change from direct support to guardianship.

The second group supporting Kim Chong-il is made up by graduates of Mangyongdae Institute representing the second-generation revolutionaries in the military. It is known that they were extraordinarily loyal to Kim Il-song and that many of them currently hold key military posts. The prominent in this group include Kim Tu-nam, Yi Pong-won, and O Yong-pang, who are members of the party Military Committee; O Kuk-yol, WPK chief of operations, and Kang Chang-su, a corps commander and son of KPA Chief of General Staff Kang Kon, who was killed in action in the Korean war.

The third and last group supporting Kim Chong-il in the military are those whose fathers were killed in the Korean war. They are about 50 years old now and, as a result, have not yet reached general-officer ranks. But it is thought that they presently form the backbone of the high-ranking officers group. For their backgrounds, this group is expected to show greatest loyalty to Kim Chong-il and very likely to emerge as the core of the military under the Kim Chong-il leadership.

Thus, the upper top-level leaders of the North Korean military maintain close ties with Kim Chong-il through personal solidarity. They have thus far faithfully performed their roles of providing physical security to the establishment of the successor regime. In the present stage, it can be said that allegations by some in the South of a possible unrest in the KPA or defiance to Kim Chong-il are a shallow view lacking a proper assessment of the personal and ideological solidarity between the North Korean military leadership and Kim Chong-il. Now that Kim Il-song, his guardian, is dead, it can be said that the long-term attitude of the military undoubtedly depends on how Kim Chong-il leads. It appears that when Kim Chong-il takes over as the "leader," if he only displays normal leadership, the North Korean military will probably faithfully fulfill its duties as his protector as in the past.

[13 Jul p 5]

[Text] When one thinks of Kim Chong-il, the North Korean leader, the first thing that comes to his mind could be his cultural and artistic talent. He is so deeply versed in mucic that he can even point out a half-tone error by a player in an orchestra. In literary theories, too, he is quite advanced and his "seed theory" concerning film art is famous. Literature and art indeed have been major factors fueling Kim Chong-il's political advances.

Some regard Kim Chong-il's talent in this field as a private hobby. As a result, some experts even portray him customarily as a mere "film fanatic." However, if we are to see him as the leader of a state, we need to view his deep interest in literature and art in the light of the fact that he took note of its outstanding effect as a means of propaganda and agitation.

Since the late 1960's when he was in charge of the WPK literature and art policies, Kim Chong-il has used literature and art as an important means of economic agitation for increased production. He organized artists into colorful economic agitation teams, sending them to production sites. He made films and art works with high agitative effects and demanded the viewing masses to be more than mere appreciators and learn from the heroes and heroines in them. In the cases of "Sea of Blood" and "Flower Girl," hit films in the 1970's, Honor Guard Units modeled on the hero and heroine were organized in production units beginning in the early 1973's, under the banner of "Live and Work Like Them."

Kim Chong-il has used literature and arts as a means to depict the "revolutionary tradition" and the leader. He ordered the creation of various literary works glorifying the Kim Il-song-Kim Chong-il lineage and the anti-Japanese armed struggle, and their study by the masses. He was especially interested in the work to depict the great leader's "revolutionary history and family," organizing the 15 April Creative Group in 1967.

Kim Chong-il views guidance (leadership) as an art. Therefore, he incorporated and assimilated the Mao Zedong-coined term "art of leadership" into the chuche ideology system. Militant slogans, a common sight in North Korea, such as "Production, study, life—all in the manner of the anti-Japanese guerrillas" and "Once the party decides, we will do it," as well as various mass movements, work methods, and work styles belong to this category. And they constitute major subjects of research and study for North Korean cadres.

Meanwhile, what highlighted Kim Chong-il's role in the ideological area was his work to systematize the chuche ideology and establish the unitary ideology system. He played a decisive role in the theoretical systematization and absolutization of the chuche ideology, North Korea's guiding ideology. He established the chuche ideology—which had first appeared in the early and mid-1960's in a simple formula calling for "chuche in ideology, self-dependence in politics, self-support in economics, self-reliance in national defense"—as the Kim Il-song ideology, lifting and absolutizing it as a new ideological theory replacing Marxism-Leninism. In this process, he coined and spread the new term "Kim Il-songism" connoting all the ideological, theoretical, and methodical aspects of the North Korean Way of socialism, beginning in 1973. The term chuche ideology we often use these days means this Kim Il-songism. By absolutizing and dogmatizing the chuche ideology, however, he committed a grave mistake of creating a situation of ideology dictating society.

Separately from the chuche ideology, Kim Chong-il, beginning in the late 1960's, created the "revolutionary view of the leader" to explain why the leader is needed for the unitary leadership, by mobilizing party theorists such as Yang Hyong-sop and Hwang Chang-yop. And in the early 1980's, he disclosed the "succession theory" modeled on himself to theoretically back up the successor regime, elucidating "why the successor is needed, what virtues he should possess, and what his position and role are." Furthermore, in 1986, he concocted a new logical device called "sociopolitical life," emphasizing that the leader, the party, and the masses form one united organic body with the leader as its head and that they share the same destiny.

While systematizing the chuche ideology on the one hand, Kim Chong-il on the other endeavored to establish the unitary ideological system demanding people to pledge wholehearted allegiance to the Leader and show it in their daily life. As the result, he developed in 1974 the "10 principles of the unitary ideology" by putting together and dogmatizing the chuche ideology, the cult of personality, and the absolute power system. Meanwhile, as an important way to draw a line between North Korea and other socialist states that collapsed one after another beginning in the late 1980's, Kim Chong-il developed a new doctrine: "the Korean Nation Is No. 1." Based on this doctrine, which was originally shown in 1986 and put into a system in 1989, is the current North Korean effort to inherit the national cultural heritage as seen in the excavation of the tomb of King Tangun.

Thus, for more than two decades now, Kim Chong-il has displayed his special talent in the literary and ideological fields, altering the North Korean society. At least in these fields, unlike in other fields, he more often than not has put greater emphasis on what should be than on what is now. Consequently, his logic and slogans contain significant degrees of elements of subjectivism. Needless to say, in these fields, there has been a division of work between the leader and the successor, with the former taking care of realities of the state and the latter focusing more on what they should be, and on the future. This division of work caused such problems to pile up unnoticed. With Kim Il-song gone now, however, Kim Chong-il is henceforth required to present more objective and realistic policies in these areas, too. Can he present ideological, literary, and art policies that are realistically viable? It can be said that his propaganda-agitation capability is also facing a new test.

[14 Jul p 5]

[Text] North Korea and China often use the expression of "teeth and the gum" to describe their relationship. It means that they are close allies. Whenever Kim Il-song, whose command of the Chinese language was "even better than the Chinese people's," visited China, Chinese newspapers frequently depicted it as a "visit by a close friend."

That was then. And how will it be from now on? Kim Chong-il has had no opportunities to form particularly intimate personal ties with Chinese leaders. He visited China in June 1983 at the invitation of the then general secretary of the Communist Party of China [CPC], Hu Yaobang. Since then, however, he has made no official visit. It forms a striking contrast with Kim Il-song, whose China visits, including unofficial ones, averaged once a year. However, with Kim Il-song, the "leader," personally in charge of diplomatic affairs, it could have been difficult for him, the successor, to visit a foreign country as often as he wanted to. Also, Kim Chong-il seems unable to be very sociable with the Chinese leaders. He once criticized the Chinese policy of reform and openness. This reached the Chinese leaders' ears, hurting their feelings. China has also been critical of North Korea's unitary system centering on the leader, viewing the father-to-son succession as undesirable. Both sides are pragmatists, however. Kim Chong-il after all began embracing a policy of Chinese-style reform and opening to effect a recovery of the stagnant economy while China approved of the Kim Chong-il succession. While apparently dissatisfied with the continued unitary system, China seems to treat it as a long-term issue requiring a protracted approach. It is likely that China will play a positive role in winning the international recognition for the Kim Chong-il regime.

An interesting point in this connection is that the Kim Il-song - to - Kim Chong-il succession which China had criticized was, in fact, influenced in the process of its establishment by a series of developments surrounding China's succession problems in the 1966-78 period. During the Chinese Cultural Revolution, North Korea branded it "leftist" or "dogmatic" and was at feud with Beijing. Countering China's emphasis on ideology, North Korea came up with the slogan exhorting the "simultaneous capturing of the ideological fortress and the material fortress." Thus came the ideological difference and rift that still continue between the two countries today.

Unfortunately, however, the Kim Il-song leadership, while criticizing the Chinese Cultural Revolution, put up Kim Il-song as the counterpart of Mao Zedong, countering the Mao Zedong thought with the Kim Il-song thought (chuche ideology). Thus, it put itself in the fetters of the personality cult adoring Kim Il-song and the absolutization of his ideology. Furthermore, it was affected in a subtle fashion by the succession problems so frequently repeated in Chinese politics.

In the CPC's case, in August 1966, Lin Piao, the No. 2 man in the CPC, who was the leader of the Cultural Revolution and the preacher of the Mao Zedong personality cult, became the heir apparent. Then, at the ninth National People's Congress held in April 1969, the CPC constitution was revised to officially designate Lin Piao as Mao's successor. It was a development unprecedented in the history of the international communist movement. This stipulation in the ninth CPC constitution regarding the succession had its effect on the North Korean leadership, making it agonize over its succession problem.

The Lin Piao rebellion in September 1971 also produced a major impact on Pyongyang's succession problem. It turned out that the heir apparent who had been the chief architect of the Mao personality cult and who had been praising Mao as the "great leader" plotted a rebellion against him, and this incident served as a catalyst to bring the North Korean issue to be focused on Kim Chong-il, a kin, as the successor. Meanwhile, in August 1973, Wang Hongwen, who started out as a worker in Shanghai, was elected vice president of the CPC Central Committee and to the Politburo Standing Committee. His rise as Mao's successor greatly contributed to Kim Chong-il, then in his early thirties, being established as

Kim Il- song's successor despite the "too young" impression he gave. He was elected a party secretary at the seventh plenum of the fifth WPK Central Committee, which opened on 4 September 1973, 5 days after Wang Hongwen became Mao's successor, and to the party Political Committee in February 1974 in what signified his anointment as the successor.

The fall of Hua Guofeng, another selectee of Mao to be his successor, at the hands of Deng Xiaoping and other veteran revolutionaries after Mao's death also helped the cause to establish Kim Chong-il as the successor. The Hua Guofeng case gave the Kim Il-song leadership a lesson that a successor could fall from power should he fail to maintain his hold on the party, a lesson that provided the important momentum for Kim Chong-il to consolidate his unitary leadership system in all parts of party activities.

Thus, the Kim Chong-il succession, while being established, was directly influenced by political changes in China. It is paradoxical indeed that the Kim Il-song - Kim Chong-il unitary system continued to strengthen despite influences from the Chinese political changes toward a collective leadership system. Through its interaction with China in general, however, North Korea accepted Chinese things in many cases, assimilating them into its own. A good example is the fact that North Korea is already using Chinese-style economic policies. From a medium- and long-term viewpoint in this context, we cannot rule out the possibility of North Korea shifting away from the present unitary system the inefficiency of which has been proved and toward a Chinese-style collective system, in form though, in a compromise guaranteeing the position of Kim Chong-il as the ruler.

[15 Jul p 5]

[Text] Kim Chong-il has often been seen by many as an eccentric and unpredictable character. As a result, a fairly large number of experts foresee the possibility of a sweeping purge or shake-up taking place within the North Korean power center.

This observation has unreasonable points in it. A detailed analysis of changes in the power structure since the 1980's, when Kim Chong-il began sharing personnel management with Kim Il-song, indicates that he is rather cautious, sometimes so cautious that he even appears to be conservative.

Scant Basis to Rumors

Fourteen years have elapsed since he was publicly designated as the successor in October 1980. It is a period long enough for some new influential figures to show up close to the power center; surprisingly, however, the personnel changes within the power structure in this period have been on an extremely small scale. There have been almost no cases of major leaders being dismissed.

Of the 19 Political Bureau members elected at the sixth WPK congress in October 1980, six veterans of the anti-Japanese guerrilla unit, including Kim Il, Choe Hyon and O Paek-yong, died. Of the rest 13, Kim Chong-il, O Chin-u, Yi Chong-ok, Pak Song-chol, Kim Yong-nam, Kye Ung- tae and Kang Song-san still remain as members. Yon Hyong-muk is now a candidate member. The six persons who were separated are all in good shape—Kim Chung-nin is now a party secretary, and Kim Hwan a vice premier of the State Administration Council and concurrently minister of chemical industry, while Paek Hak-nim is a member of the party Military Committee and concurrently minister of public security, O Kuk-yol WPK chief of operations, and Chon Mun-sop chairman of the State Inspection Commission.

The same thing can be said about the Secretariat which has been under Kim Chong-il's direct management. Of the nine members of the Kim Il-song Secretariat picked at the sixth party congress, all have been replaced except three—Kim Chong-il, Hwang Chang-yop and Kim Chung-nin. Of the six who were separated, Pak Su-tong died, and two are the aforementioned Kim Hwan and Yon Hyong-muk. Of the rest three, Kim Yong-nam is now a member of the Political Bureau and concurrently minister of foreign affairs, and Yun Ki-pok is a member of the Economic Policy Commission under the Central People's Committee. The last person, Hong Si-hak has not been seen publicly since he was dismissed as a vice premier in 1992, and he is the only such case. As for those newly elected to the Secretariat, including Kye Ung-tae, Chon Pyong-ho, Han Song-yong, Choe Tae-pok and Kim Yong-sun, none of their cases was any exceptional promotion. They had all been cultivating their abilities in the party and government for a long time.

The military sphere was no exception. Of the 18 members, except Kim Il- song, elected [to the Military Committee] at the sixth party congress, four died including Choe Hyon and O Paek-yong. Of the rest 14, nine still remain on the committee. Of the five who were separated, two are the above-mentioned Chon Mun-sop and O Kuk-yol, and Kim Chol-man is now a member of the National Defense Commission. Only Choe Sang-uk and Kim Kang-hwan have not been seen publicly. Considering possible cases of illness and discipline, the reported figures of those missing from public scenes can be seen as nothing unusual.

A similar phenomenon was observed when Kim Chong-il was officially named to be the successor. of the 10 full members of the Political Committee elected at the fifth party congress in November, 1970, four were not reelected at the sixth congress, including Choe Yong-kon and Han Ik-su who had died and Kim Yong-chu who was sick. Kim Tong-kyu was the only person politically purged. He raised issue with Kim Chong-il's policies in June 1976 and was purged in October 1977. His case is recorded as the last political purge in the North Korean history.

Thus, North Korean politics while Kim Chong-il was being established as the successor was markedly stable. A comparison between the 1967-70 period—in which Kim Chong-il was rising to the center of power and which was marked by severe changes in the power hierarchy—and the subsequent years of his leadership as the successor clearly indicates that the latter period was far more stable. Of the 11 full members of the Political Committee created at the second Party Representatives Conference in October 1966, six were replaced at the fifth party congress; in the case of the Secretariat, seven of the 10 were replaced. Needless to say, those replaced had all been purged in 1967-70.

Many of Reshuffles Prompted by Policy Slump

There were a few reasons that the power structure under the Kim Chong-il leadership could maintain stability to a remarkable extent. First, while going through the 1967-70 political upheaval, the North Korean leadership was thoroughly reorganized with groups loyal to Kim Il-song and Kim Chong-il and their pledge of loyalty remained virtually unchanged for two decades. Also, seeing it from another angle, one will find that Kim Chong-il is a leader prudent in personnel management despite his reputation for being unpredictable. In fact, it can be said that his personnel management policy in the past 14 years has "made him no enemy" in the power center.

Another thing that should be noted is that the personnel management style of the North Korean leadership has changed under Kim Chong-il. In other words, political purges disappeared and instead reshuffles resulting from policy slumps have increased. In the earlier days, when an official was missing from the post he had held, people speculated that he was purged. And their speculations usually came true. However, under the Kim Chong-il leadership, since 1980 in particular, changes involving high-ranking officials took on routine and rotational features. Especially, changes due to policy slumps took place frequently, possibly for the reason that the political stability prompted the leadership to shift their concern from politics to the economy. Consequently, most of the officials replaced, except those having health problems, would be reassigned to other major posts or make a comeback in no time.

This analysis indicates that there is little foundation to speculations that once Kim Chong-il takes over, there will be a large-scale purge or shake-up involving personalities whom he dislike. Needless to say, the death of the dictator who ruled for 49 years will bring some changes to the power structure. But it is thought that they will be at levels understandable to all.

Reshuffle of Politburo Standing Committee Likely

As for the Standing Committee of the Political Bureau of the party Central Committee, however, it is likely to be reshuffled in one form or another. It is because the present Standing Committee was elected at the sixth party congress for the purpose of consolidating the Kim Chong-il leadership as the successor. When it started out, this committee, the highest policy making body in North Korea thus far, had as its members Kim Il-song, Kim Il, O Chin-u, Kim chong-il and Yi Chong-ok. Because of deaths and dismissals, it now has only Kim Chong-il and O Chin-u. Now that Kim Chong-il has become the top leader, the committee has completed its mission, it can be said. Therefore, it seems to be destined to be either abolished or expanded and strengthened by taking in more members.

Also, compared with the time of the sixth party congress 14 years ago, the WPK Political Bureau, North Korea's highest organ of Power, now has seven less full members and three less candidate members. In view of this situation, it is possible that there will be a relatively large-scale reshuffle. Even if so, it will not go beyond reinforcing the present system. Meanwhile, some senior revolutionaries are expected to retire, but at least not before they decide that the new system is on its right track.

It is expected that the present members of the North Korean leadership who have played active parts in the Kim Il-song days will, after all, stay on as the most important persons to protect Kim Chong-il for a fairly long time to come.

[16 Jul p 5]

[Text] To foreign guests, President Kim Il-song was fond of talking about "chuche established" in North Korea. An economic expression of "chuche" is "self-reliance," and the economic structure based on the concept of "self-reliance" is the "self-dependent national economy" system. But, betraying Kim Il-song's boasting, the self-dependent economy system is in a serious crisis today. North Korea, which self-produced automobiles in 1958, rephrased the traditional term "clothing, food and housing" into "food, clothing and housing" beginning in 1984, showing the extent of food shortages and the economic difficulties in general.

Can Kim Chong-il really overcome this economic crisis? To find an answer, let's first take a look at his view of the economy. Stating my conclusion first, his economic view is in the process of a shift from one giving priority to ideology and politics to pragmatism recognizing the independent force of economy. It can be said that currently it is in a state of mixture of the two views.

Kim Chong-il's involvement in the North Korean economy began in the theoretical area. He criticized in the latter half of the 1960's the theory of equilibrium, a generally accepted view of North Korean scholars then, and emphasized speed. Against the theory of equilibrium holding that when socialism reaches a certain stage and grows in size, its development slows down, Kim Chong-il emphasized the chuche-related aspect of the economy, stressing the possibility of more rapid development relying on the "revolutionary enthusiasm of the masses of people."

Imbalance Between Sectors, Lagging in Technology

Kim Chong-il's ideological economic method was first applied to the object economy through the "70-day battle" launched in October 1974. To ensure a higher speed in development, he organized economic agitation teams and introduced the "Speed Battle" to the economy, an effort to mobilize the "revolutionary enthusiasm" of the masses and fulfill the task in a lightning fashion within the assigned time.

But the Speed Battle-style economic management after all aggravated the imbalance of the economy, making it difficult to expect technological innovation based on personal creativity. As the result, the light industry sector was already lagging markedly in the 1980's and technological development was found sluggish. This meant that economic management relying on an excessive ideological mobilization had reached its limits.

In my view, it was precisely at that time that Kim Chong-il somewhat altered his economic perception. He began reinforcing the Speed Battle-style economic management with pragmatic elements. He continued to exhort "the movement to create the Speed of the '80's" on the one hand, while on the other he began focusing his attention on the light industry to correct an inter-sector imbalance. At the same time, he began borrowing the Chinese policy of openness, which he earlier had viewed critically under the banner of self-reliance. As a result, he promoted Kang Sang-son, an economic expert, to the post of premier of the State Administration Council and enacted in September 1984 the "joint management law" providing for joint operations with foreign companies. Further, entering the 1990's, he enacted the "joint venture law" in October 1993, and revised the "joint management law" in January 1994 to make it more favorable for foreign investors. At the same time, he designated the Najin-Sonbong district as a special economic zone, pushing for joint ventures with foreign businesses and for foreign investments in North Korea.

These signs of Kim Chong-il's shift to a pragmatic economic stance were confirmed in his theses published recently. In a letter he sent to a national meeting of scientists in October 1991, he called for more rapid developments in all scientific fields including electronics and mechanical engineering, emphasizing that "loyalty and revolutionary passion" alone are not enough for scientists and engineers and that they should improve their real abilities. He also urged positive efforts to bring in the "advanced science and technology" from overseas, and to realize a broad range of joint operations and joint ventures in the science and technology fields with advanced nations. This shows that Kim Chong-il is in the driving seat of an open policy being pushed by North Korea these days. So, Kim Chong-il is shifting to pragmatism in his economic view, and this fact fully supports the speculations that North Korea's economic policies will take the path toward openness regardless of Kim Il-song's death.

However, in order for Kim Chong-il's pragmatic policy line to be truly successful, he has one more hurdle to clear. And it is to correct distortions in the priorities of investment and return them to a normal state. In its budgetary investments thus far, North Korea has given top priority to creating structures and holding events to demonstrate the prestige of its leader and the self-reliance and solidarity of the nation. This proved to be a major cause of the economic slump. Kim Chong-il, therefore, is now confronted with a task to realign policies to, first of all, reflect economic rationality. Fortunately, reckless investment trends disregarding economic principles have been shrinking rapidly after peaking at the time of the 1988 Pyongyang Youth and Student Festival.

Kim Chong-il's economic management method remains a mixture of dogmatic ideology and pragmatism—namely, a Speed Battle-type economic method and a firmed-up open policy. It is reminiscent of the old North Korean slogan about "simultaneous capture of the material fortress and the ideological fortress." But now, he should face up to the reality of the overemphasis on ideology obstructing the "capture of the material fortress."

Should First Meet Need for Efficiency, Rationality

At any rate, Kim Chong-il's future economic policies are likely to unfold on the keynote of sustained reform and opening. It is because the current problems in the North Korean economy are structural and can be solved only through expansion of external economic ties. Meanwhile, voices stressing the need for greater creativity on the part of the masses and for balanced developments, instead of unilateral emphasis on the Speed Battle-type economic method, are likely to increase. As for Kim Chong-il, who is far less charismatic than his father, he has no alternative but work for rapid stability and improvement of the people's livelihood, in order to make up for the shortfall in charisma among other things. He must know by now that if he should try to reinforce his position by relying on the fabricated mythological legitimacy of his birth, it could lead straight to a worse crisis of the North Korean system.

[17 Jul p 5]

[Text] In the wake of Kim Il-song's death, the leadership of his successor, Kim Chong-il, is on its trial in our society. Many people have already passed a negative judgement. Their verdict, based on circulating rumors, cite his "fastidious character" and "depraved private life" as the reasons they view him as basically unfit to be a leader. This sort of judgement seems to have two problems, however.

First, even if we should believe the rumors, it remains unclear what his "fastidious character" or "depraved private life" has to do with his leadership quality. In the world history, many of those known for their outstanding leadership had a fastidious character. Among the successive leaders of our country, too, were some known for their "depraved private life" along with their great leadership.

The second problem is the reliability of the rumors circulating in our society. In fact, few of them have been verified. Among the things known about him are that he is the type of man who does things in a big way, that he has extemporaneous things in his private life, and that he has a bizarre habit of working intensively between 11 p.m. and 5 a.m. Beyond that level, facts about him are hardly known.

Choe Un-hui and her husband, Sin Sang-ok, who were once closest to Kim Chong-il, and who visited his home and met his wife and children and were regularly invited to his parties, wrote two books about him, in which they did not say he is a womanizer.

What could we see really if we should try to look into the person of Kim Chong-il with such caricature-like interests? It is the time for us to make an approach from a more constructive, rational viewpoint.

If we should approach him only with gossipy interests, our losses will be too serious when we have misunderstood him. Regardless whether we like him or not, we must face up to the fact that he is the top leader of a sovereign state recognized by the United Nations, the only man in power of a country which is militarily capable of destroying both parts of Korea, and the highest man in authority of the other side which we inevitably have to deal with in our future push for national unification.

It is impossible for us to precisely assess the leadership of Kim Chong- il at the present stage. The reason is that while he has been active as the successor for the past two decades, virtually no details of his activities were revealed externally.

Nevertheless, he has been groomed to be the leader for a long time. Following his graduation from college, he worked as a director in the Escort Section of the WPK Central Committee which provides secret service to guard Kim Il-song; thus, in the 3 years 1964-66, he accompanied Kim Il-song on his on-the-spot guidance trips 31 times. His grooming as the next leader continued, focusing on ideological affairs in the early 1960's, the literature and art sphere in the late 1960's, the economy in the mid-1970's, the military in the late 1970's, and on foreign policy and public welfare in the early 1980's.

It is impossible to draw a quick conclusion on just how much leadership he could develop for himself in this process. However, judging from the fact that since he reorganized the party under his guidance in the 1970's, he has encountered no major troubles, and that his personnel management has caused no serious controversies, he appears to have basic organizational management capabilities.

Also, judging from the way he systematized the chuche ideology and his ability to mobilize literature and art into the services for economic production, he seems to have cultivated a certain degree of leadership in the propaganda field, too.

Leading the Party Without Serious Troubles

On the other hand, we see things that make us as skeptical as ever about his leadership. Most typically, about his diplomatic capability. Since his direct involvement in diplomatic affairs began in 1982-83, he has had enough training in the decision-making process in foreign policy. Also, he can hardly be seen as lagging in his diplomatic judgement, which is an important qualification of a leader.

Few Opportunities To Meet Foreign Leaders

Some say that since he seldom visits foreign countries but sees many foreign films, Kim Chong-il may have a refracted image of the West fixed in his mind.

According to witnesses, however, he watches South Korean, Japanese and Chinese televisions almost daily on the monitor installed in his office for information on the West.

However, in the sphere of negotiations with foreign leaders, Kim Chong- il has had few opportunities to gain experience. It was in May 1986 when Kim Il-song proclaimed the completion of the successor system. Presumably, he then must have thought of increasing gradually the opportunities for Kim Chong-il to meet with foreign envoys. However, because of the successive collapses of socialist countries beginning in the late 1980's, the power transfer program had to be revised in all aspects; as a result, Kim Chong-il missed the opportunity to have his training in the art of diplomatic negotiation which a chief of state should possess.

His capability in the economic sphere is also an unknown quantity as yet. His ideology-first, Speed Battle-type management in this sphere was not very successful.

Currently, he is shifting to a pragmatic line symbolized by reform and opening and balanced development, and his success or failure in this area will be seen as a yardstick to measure his leadership. Besides, the past 20-odd years in which he has been politically active were also a period in which North Korea's underdevelopment first became apparent, a fact that makes an assessment of his leadership even more difficult.

All in all, in respect to Kim Chong-il's leadership, it can be said that while he is deemed to have the making of a leader, there are many things yet to be verified or still questionable.

Also, with regard to the making of a leader he seems to have, no one is sure enough to answer the question whether it is enough to lead North Korea out of its present crisis. Answers to this and all other questions will come as time passes by. The important thing is that if we are to make precise analyses of his leadership even before that, we should first of all discard his image we have now, the caricatured one, and see him as the leader of the North Korean society.

[19 Jul p 5]

[Text] Once the 19 July funeral for President Kim Il-song is over, the North Korean society will officially enter a new era, the era of the Kim Chong-il leadership. He will be installed as the general secretary of the WPK, the chairman of the Military Committee of the same, and the president of the state—the posts occupied by Kim Il-song as the "leader." North Korea is about to usher in a Kim Chong-il era.

Then, will the Kim Chong-il leadership make a firm start? What sort of hurdles are there for it to clear for its survival and development?

Under the present circumstances, there seem to be no particular problems about the launching of the Kim Chong-il regime. Ostensibly at least, the masses are showing obedience and respect for Kim Chong-il. At the same time, the WPK—of which he has been in charge—is firmly in control of the whole society at present. Also unswerving is the line-up of the leadership group supporting the regime.

However, the fact that his regime is relatively solid at present is by no means a guarantee for its future. For survival, it is confronted with new tasks.

If Problems Arise in Leadership, It Will Cause N. Korea's Crack

Confronting the Kim Chong-il regime is a multitude of problems awaiting solution. Many of them are difficult to solve. First, as regards problems which Kim Chong-il has to deal with by himself, they boil down to the question of his ability to maintain a hold on the masses and his securing his leading position within the leadership group.

Regarding the question of the ability to maintain a hold on the masses, namely, to build charisma of his as a leader, Kim Chong-il thus far has approached to it by emphasizing his "innate legitimacy" through propaganda of his "unusual genius" and "revolutionary family." But he cannot become the "leader" by the innate legitimacy alone based on a biography that was concocted with "mythology" and memoirs of revolutionary martyrs. What he truly needs is to have the masses well in his hands through a realistic administration. If he should attempt to have the same kind of charisma as his father had by stepping up the cult of personality, it will only further aggravate the inefficiency of the system. Rather, striving for an early recovery of the economy and improvement in the people's livelihood is the right way for him to build charisma.

At the same time, Kim Chong-il is required to display his leadership to properly manage the ruling group comprised of individuals with different characters and dispositions. The organizational management ability he showed in the past confirmed that he has a degree of leadership in this field, but it was after all when Kim Il-song was alive and backing him up. Kim Il-song is gone now but, if his leadership can control the ruling group and keep it united, the North Korean leaders—who are stronger than any other leadership groups in the world in terms of solidarity and homogeneity—will defend him unhesitatingly. But, if problems arise in his leadership, it will likely lead to a crack in the North Korean society. This possibility cannot be ruled out.

The structural problems of the Kim Chong-il regime are somewhat more complicated and serious. First, let's take a look at immediate problems, which are diverse in each sphere. Among the pending issues are a settlement on the nuclear inspection dispute, improvement in North-South relations, normalization of diplomatic relations with the United States and Japan, and creation of special economic zones. There is one thing in common among them, namely, that the agonizing problem of the stagnant North Korean economy lies at the heart of these issues, linking them to the methodological task of expanding external economic relations.

Kim Chong-il used to say that what distinguishes North Korea's socialism from capitalism is its "ideological superiority." But hungry people will not really believe it. Measures must be taken for a rapid economic recovery. Right at this point, the Kim Chong-il regime came to its limits in mobilizing inner resources for development, consequently finding itself having no alternative but explore the possibility of expanding external economic relations. In other words, the most important immediate task facing the Kim Chong-il regime is, after all, achieving economic revitalization through expanded foreign economic relations. And the ways to deal with the pending issues should also be explored in conjunction with this fact.

In this context, the primary task confronting the Kim Chong-il regime is to improve its relations with the United States and other countries of the West and to cause no tensions in North-South relations. To that end, Kim Chong-il should show his will to strive positively for resolution of the nuclear issue basically on the line worked out by former U.S. President Carter. In North-South relations, too, he should work to realize a summit as agreed on by Kim Il-song before his death.

"South Korean Revolution" Clause Should Be Scrapped

A point that should be specially emphasized in connection with North-South relations is that the Kim Chong-il regime should bury the past policy which, based on its "democratic base theory," viewed South Korea as an "object of revolution," and shift rapidly to a new policy regarding the South as a rival in economic competition.

If anyone should attempt to revolutionize a state with an economy more than 13 times larger than his state's, it is a daydream.

To achieve a breakthrough, North Korea should embark on the path of replacing the existing North-South relationship characterized by "hostile reliance"—a relationship mutually using tension as a means to maintain the regime—with "cooperative competition." The same applies to South Korea, too. We see phenomena of reason being stifled by a social climate or sentiment favoring to create another unitary system in opposition to the Kim Il-song - Kim Chong-il unitary system. Such phenomena, cropping up in our society, are nothing but madness to push us back into the tunnel of the Cold War from which we have barely emerged. It is as clear as day that such phenomena, if left unabated, will push Kim Chong-il toward a hard-line policy.

Before criticizing the bizarre phenomena of neo-McCarthyism in the South Korean society, however, the Kim Chong-il regime should reflect on the seeds it saw for them. The reflection can begin with discontinuation of its conceited propaganda meddling in various debates in the South Korean society, with taking off the air the "Voice of National Salvation" broadcasts that produced some reckless dogmatists and hampered democratization movements in our society, and with scrapping clauses relating to a South Korean revolution in the WPK constitution at the coming seventh party congress. Unless it makes such an epoch-making turnabout, the Kim Chong-il regime can hardly effect a thaw in North-South relations.

If it thus guarantees a satisfactory settlement on the nuclear inspection issue and a sustained progress in North-South relations, normalization with the United States and Japan, economic cooperation and other issues can be resolved with no great difficulty.

Now, let's take a look at medium- and long-term tasks confronting the Kim Chong-il system. The biggest task in this category is to dissolve this system and convert to a pluralistic system. The undemocratic nature and inefficiency of North Korea's unitary system—which centers on one man exercising absolute power, and under which the whole society is maintained in monolithic lopsidedness—have often been pointed out from outside. In fact, it is not unreasonable to say that the economic crisis was basically caused by the unitary system that subjected the economy to political goals, at the cost of its rationality. Under this system, therefore, it is difficult for the North Korean state to maintain itself in the long run. Furthermore, if North Korea should leave the present system intact and carry on the opening-up, pluralistic elements flowing in from outside will conflict head-on with the unitary elements of the system as they spread out in the whole society. Needless to say, the possibility of such conflicts leading eventually to a social upheaval or collapse of the system is very high. Even so, the Kim Chong-il regime is in no position to shut the door.

All this prognosticates the possibility of change in the North Korean system. There are three different formulas for change.

One of them is for North Korea to maintain the present Kim Chong-il unitary system in form but, in substance, minimize the personality cult campaign, gradually reducing Kim Chong-il's absolute power. This method, however, will not help improve the external image of an open-era North Korea. As a result, it is doubtful if the people, gradually being exposed to pluralism, will accept it on a sustained basis. Consequently, North Korea after all has no alternative but take the form of shifting to a collective leadership system, ostensibly. Because of the fact that the post of the party general secretary and that of the state president were both held by Kim Il-song for 49 years and 22 years respectively, it is of course difficult at the present time to expect either of them to go to any person other than Kim Chong-il. Nevertheless, the dismantling of the unitary system is inevitable for the survival of the North Korean state.

Conversion to Pluralistic System Needed

In my judgment, the Kim Chong-il leadership will, at some point of time, make an attempt to shift to a collective leadership system on the line that it guarantees his actual hold on power. There will be two ways of doing it. One is for Kim Chong-il to stick to the present constitution and take the post of the party general secretary and the chairmanship of the National Defense Commission and be in control of the party and the military while appointing another person, like a senior revolutionary, to the post of the state president whose authority was sharply reduced under the revised constitution.

The other way is to abolish the post of the state president because it carries so important an image despite the reduced authority under the present constitution. In this case, the constitution has to be revised. At the same time, it is possible to upgrade the State Administration Council and replace the Permanent Council of the Supreme People's Assembly with a standing committee, dividing the powers heretofore held by the president to the two bodies. Needless to say, all this is possible only when Kim Chong-il has courage to brave what is an untrodden path for him named "distribution of power."

Chongnyon Expected To Cheer for South at Asiad

SK2109104194 Seoul YONHAP in English 1014 GMT 21 Sep 94

[Text] Hiroshima, Japan, Sept. 21 (YONHAP)—Pro-Pyongyang Korean residents in Japan are expected to cheer South Korean players at the Asian Games opening here in Hiroshima on Oct. 2.

"We will allow the members of our General Association of Korean Residents in Japan [Chongnyon] to cheer South Korean players taking part in the Hiroshima Asiad," said Yu Yong-cha, Hiroshima chapter sports director of the pro-North Korean association, Wednesday [21 September].

Saying that his association members are a little disappointed at the failure of North Korea to participate in the games, Yu said it would be natural for "us to cheer our compatriot athletes from the South."

He said that since members of his association cannot carry the South Korean flag, Taekuki, they would instead use the "unified Korean flag" featuring the shape of the Korean peninsula during cheers.

As for the reason for such a decision, Yu said most Korean residents in Japan wish to cheer South Korean players and, besides, those South Koreans coming to Japan to take part in the games or to cheer their players have many relatives among Koreans in Japan.

IPI Director Arrives To Discuss 1995 Assembly

SK2109063094 Seoul YONHAP in English 0616 GMT 21 Sep 94

[Text] Seoul, Sept. 21 (YONHAP)—Johann Fritz, director of the International Press Institute (IPI), flew into Seoul Wednesday to discuss the 44th IPI General Assembly that will be held in the South Korean capital next May.

Accompanied by his wife, Fritz will consult with the IPI Seoul chapter on advance work and future projects in preparation for the IPI Seoul General Assembly as well as visit Cheju Island and Kyongju, where delegates to the General Assembly will go for some sightseeing after the assembly closes, an IPI Seoul chapter official said.

Fritz will pay courtesy calls on President Kim Yong-sam and Information Minister O In-hwan and tour the truce village of Panmunjom and Pohang Iron and Steel Co. during his stay here, the official noted.

Born in Austria, the IPI director served as a board member of the Austrian News Agency (APA), managing director of the Austrian daily DIE PRESSE and a board member of the International Federation of Newspaper Publishers. He has served as IPI director since April 1993.

The IPI, headquartered in Vienna, Austria, was established in 1952 and presently boasts a membership of more than 2,000 publishers and senior managing editors of newspapers, broadcasting companies and news agencies from over 80 countries.

South Korea joined the IPI in 1961 and the IPI Seoul General Assembly next year will be the first of its kind for the country.

Easing of Expatriates' Visa Regulations Planned

SK2109023294 Seoul YONHAP in English 0210 GMT 21 Sep 94

[Text] Seoul, Sept. 21 (YONHAP)—The government, looking to promote a sense of national homogeneity among overseas ethnic Koreans, hopes to ease restrictions on Korean expatriates in Russian and Chinese territory trying to visit their homeland, officials said Wednesday.

The government also hopes to establish Korean culture centers in areas populated by these expatriates such as Khabarovsk to meet the growing demand for Korean language courses, they said.

Koreans in the former Soviet Union and China, many of whom are second- and third-generation offspring of parents forced to go there during the war years, are heavily restricted from visiting their ancestral homeland except for official or business purposes.

The officials said they are also considering issuing long-term employment visas to ease the restrictions.

"The visa issue is a matter requiring consultations with the Justice and other government ministries. It cannot be solved immediately, but the government has planned to go in this direction in the medium and long terms," said one official.

President Returns to Work After Chusok Holiday

SK2109063294 Seoul YONHAP in English 0618 GMT 21 Sep 94

[Text] Seoul, Sept. 21 (YONHAP)—President Kim Yong-sam returned to his office Wednesday after spending the four-day Chusok (harvest moon) holiday down south.

The president and first lady Son Myong-sun paid their respects at his ancestral burial grounds in his hometown of Koje, South Kyongsang Province, on Sunday and spent the rest of the holiday at the presidential vacation home, Chongnamdae.

Kim will summon his cabinet and senior secretaries to the presidential office Thursday [22 September] to discuss pending tasks over breakfast.

Burma

SLORC Leaders Meet With Aung San Suu Kyi

BK2009131694 Rangoon Radio Myanmar in Burmese 1300 GMT 20 Sep 94

[Text] Senior General Than Shwe, chairman of the State Law and Order Restoration Council [SLORC] and commander in chief of the Defense Services, cordially met with Daw Aung San Suu Kyi at the No. 1 Defense Services Guest House this morning. It has been learned that Lieutenant General Khin Nyunt, SLORC secretary, was also present at the meeting.

Delegation Returns From Population Conference

BK2109023394 Rangoon Radio Myanmar in Burmese 1300 GMT 20 Sep 94

[Text] A Myanmar [Burmese] delegation led by Lieutenant General Mya Thinn, member of the State Law and Order Restoration Council and minister of home affairs, arrived back at Yangon [Rangoon] International Airport via the Republic of Singapore by air at 1515 today after attending the International Conference on Population and Development [ICPD] held in Cairo, Egypt, on 3-13 September and visiting Geneva, Switzerland, at the invitation of the UNHCR.

The conference inauguration ceremony was held at 1000 on 5 September and Egyptian President Husni Mubarak and UN Secretary-General Butrus-Ghali delivered the opening addresses.

The Myanmar delegation leader, Lt. Gen. Mya Thinn, called on the Egyptian interior minister at the latter's office at 1100 on 8 September and held cordial and frank talks on matters of mutual interest. Lt. Gen. Mya Thinn delivered an address at the conference on 12 September.

The Myanmar delegation leader, Lt. Gen. Mya Thinn, and U Maung Aung, director general of the immigration and manpower department, departed Cairo, Egypt, for Geneva, Switzerland, on 14 September for a visit to the UNHCR office and returned to Yangon on 20 September.

67,344 Refugees Repatriated From Bangladesh

BK2009120194 Rangoon THE NEW LIGHT OF MYANMAR in English 14 Sep 94 p 7

[Text] A total of 538 persons of 106 households arrived back at reception camps from Bangladesh on 8 and 9 September under the agreement reached between Myanmar [Burma] and Bangladesh. Altogether 67,344 persons of 14,858 households have arrived back so far since September 1992.

U Aung Toe's Report to Convention, Part 5

BK1809134094 Rangoon THE NEW LIGHT OF MYANMAR in English 7 Sep 94 pp 2-4

[Fifth of five installments of a speech by U Aung Toe, chief justice and chairman of the National Convention Convening Work Committee, to the National Convention plenary session at the President's Residence compound in Rangoon on 2 September]

[Text] Esteemed Chairman, It has been laid down as a basic principle that 'Cocogyun Township which has a special situation is designated Union territory and placed under the direct administration of the President'. So, the township is under the direct administration of the President.

'A township administrator' is to be appointed in Cocogyun Township, which is a Union territory, to exercise executive powers vested in him by the President. The President should choose of his own volition a person having qualifications prescribed for Hluttaw [parliament] representatives and appoint him the Administrator of Cocogyun Township.

The Cocogyun Township Administrator will have to be responsible to the President or a person assigned by the President.

The President will have the Cocogyun Township Administrator resign from the post or have him terminated from duties if he is not satisfied with his performance of duties. He will have to substitute, in accordance with provisions in the Constitution, the vacancy that has come about from any cause.

The Cocogyun Township Administrator's duties, rights and privileges are to be prescribed by enacting law.

Head of the Cocogyun Township General Administration Department is to be the Head of Office of the Cocogyun Township Administrator. The Township General Administration Department is to be the Cocogyun Township Administrator's Office.

So, regarding the administration of Cocogyun Township, a Union territory, it should be laid down as specific basic principles:

1. 'Cocogyun Township which has a special situation is designated a Union territory and placed under the direct administration of the President'.

2. The President shall appoint a Township Administrator to exercise administrative powers for Cocogyun Township.

3. The Cocogyun Township Administrator shall be a person having qualifications prescribed for region or state Hluttaw representatives.

4. The Cocogyun Township Administrator is responsible direct to the President or the person assigned by the President.

5. The President shall

(a) have the Cocogyun Township Administrator resign from the post or have him terminated from duties if he is not satisfied with the administrator's performance of duties.

(b) shall substitute in accordance with the provisions in the Constitution the vacancy that has come about from any cause.

6. Prescribe duties, rights and privileges of the Cocogyun Township Administrator by law.

7. Head of the Cocogyun Township General Administration Department is the Head of Office of the Cocogyun Township Administrator. Cocogyun Township General Administration Department is the Cocogyun Township Administrator's Office.

Esteemed Chairman, Regarding regional administration, district and township administrators, who are personnel of the respective service department, should be made to assume functions of district and township level administration and perform them without letup.

In the district level, Tatmadaw [Defense Services] members assigned by the Commander-in-Chief of the Defence Services will have to participate as necessary together with District Administrators in affairs for security, enforcement of law and regional peace and tranquillity.

Esteemed Chairman, Ward and village administrations are levels that have close contacts with the public. So, ward/village-tract administrators elected by the people should be assigned duties in ward/village-level administration. It is necessary to promulgate a separate law regarding election of ward/village-tract administrators, assignment of their duties and prescribing of their rights.

As I have explained facts from the National Convention Convening Work Committee's studies regarding the administrative structure, I will go on to deal with the formation in the judiciary.

Esteemed Chairman, I will go on to explain the chapter on the judiciary. The following are included in the basic principles regarding the judiciary laid down at the previous Plenary Session—

1. The judicial power of the State is distributed among Pyidaungsu [Union] Taya Hluttaw (Supreme Court), Region Taya Hluttaws (Region High Courts), State Taya Hluttaws (State High Courts) and law courts of different levels including law courts of self-administered areas.

2. In the Pyidaungsu is constituted one Pyidaungsu Taya Hluttaw. Pyidaungsu Taya Hluttaw is the supreme law court of the State.

3. A region Taya Hluttaw is constituted in each of the regions and a state Taya Hluttaw is constituted in each of the states.

A basic principle regarding the Tatmadaw was also laid down at the previous Plenary Session in addition to the above basic principles. It is "The Tatmadaw has right to independently administer all affairs concerning the forces". At the session a principle regarding general provisions was laid down. It is "A Constitutional Tribunal shall be set up to interpret provisions of the State Constitution, to scrutinize whether or not laws enacted by Pyidaungsu Hluttaw, Region Hluttaws and State Hluttaws and functions of executive authorities of Pyidaungsu, regions, states and self-administered areas are in conformity with the State Constitution, to decide on disputes in connection with the State Constitution between Pyidaungsu and regions, between Pyidaungsu and states, between regions and states, among regions, among states, and between regions or states and self-administered areas and among self-administered areas themselves and to perform other duties prescribed in the Constitution."

Esteemed Chairman, It has become necessary to lay down specific basic principles concerning the distribution of judicial power of the State based on the basic principles I have clarified above. The basic principles which should be laid down concern with the sharing of judicial power among civilian law courts, courts-martial and Constitution Tribunal.

As expressed in the already adopted basic principles concerning distribution of judicial power of the State among law courts, Pyidaungsu Taya Hluttaw is concerned with the entire Pyidaungsu (Union) and is to undertake duties in supervising law courts of different levels. To be in conformity with its status in performing duties, Pyidaungsu Taya Hluttaw should be called 'Pyidaungsu Taya Hluttawgyoke' (Supreme Court of the Union). Judicial power should be distributed among law courts of different levels including Pyidaungsu Taya Hluttawgyoke (Supreme Court of the Union) in accordance with the Constitution or by other laws.

Judicial power is to be distributed among courts-martial in accordance with the Constitution or by other laws. Regarding the Constitutional Tribunal, the judicial power is to be distributed in accordance with the Constitution.

So, regarding distribution of judicial power of the State, it should be laid down as a specific basic principle—

—The judicial of power of the State is distributed,

(a) in accordance with the Constitution or by other laws, among Pyidaungsu Taya Hluttawgyoke (Supreme Court of the Union), region Taya Hluttaws (High Courts of the Regions), state Taya Hluttaws (High Courts of the States), courts of the self-administered divisions, courts of the self-administered zones, district courts, township courts, other courts constituted by law and judges appointed in accordance with law,

(b) in accordance with the Constitution or by other laws, among courts-martial, and

(c) in accordance with the Constitution, to the Constitutional Tribunal.

Esteemed Chairman, I will continue to explain formation and constitution of different levels of courts in the State. It is needed to lay down specific basic principles regarding the term to be applied to the highest court of the State, its status, the term to be applied to its judges, the number of judges and their appointments. In the previous Plenary Session, it was laid down as a basic principle that "In the Pyidaungsu is constituted one Pyidaungsu Taya Hluttaw. Pyidaungsu Taya Hluttaw is the supreme law court of the State". Regarding the term to be applied to the supreme law court, I have said above that Pyidaungsu Taya Hluttaw should be termed 'Pyidaungsu Taya Hluttawgyoke' (Supreme Court of the Union). Pyidaungsu Taya Hluttawgyoke is the highest court of the State. Of the judges to be appointed in the Supreme Court of the Union, its head should be called 'Pyidaungsu Taya Thugyigyoke' (Chief Justice of the Union). Judges of the Supreme Court of the Union should be called 'Pyidaungsu Taya Thugyimyar' (Judges of the Supreme Court).

Esteemed Chairman, It is found in view of the nature of the Supreme Court of the Union and judicial powers to be vested in it and in consideration of the magnitude of work to be carried out in conformity with duties and rights that the number judges of the Supreme Court including the Chief Justice of the Union should be a minimum number of seven to maximum 11.

If the President, who is the Head of State, appoints the Chief Justice of the Union with the approval of the Pyidaungsu Hluttaw, which is the legislative body, it will be directed towards a principle of exerting reciprocal control, check and balance between the three branches of State power. To diminish disputes that may arise from using the method, a basic principle 'in which condition Pyidaungsu Hluttaw may reject the person nominated by the President' should also be provided in the Constitution.

In laying down basic principles regarding appointment of judges of the Supreme Court, the President has to compile a list of nominees in coordination with the Chief Justice as they, as judges of the Supreme Court, are to perform their duties with the leadership of the Chief Justice. The President should appoint persons on the list the judges of the Supreme Court with the approval of Pyidaungsu Hluttaw. If this method is used, a basic principle 'in which condition Pyidaungsu Hluttaw may reject any of the persons in the list nominated by the President' should be prescribed in the Constitution.

So, regarding the matters clarified above, it should be laid down as specific basic principles—

1. In the State is constituted one Pyidaungsu Taya Hluttawgyoke (Supreme Court of the Union). Pyidaungsu Taya Hluttawgyoke is the supreme law court of the State which shall not affect judicial powers vested in the Constitutional Tribunal and courts-martial.

2. (a) The head of the Supreme Court of the Union shall be called 'Pyidaungsu Taya Thugyigyoke ' (Chief Justice of the Union).

(b) In the Supreme Court of the Union, Pyidaungsu Taya Thugyimyar (Judges of the Supreme Court) including the Chief Justice of the Union shall be appointed from a minimum number of seven to maximum 11.

3. (a) The President shall appoint the person nominated by him and approved by the Pyidaungsu Hluttaw the Chief Justice of the Union.

(b) Pyidaungsu Hluttaw shall not have the right to reject the person nominated by the President for appointment of the Chief Justice of the Union unless it can clearly prove that the person does not meet the qualifications for the post the Chief Justice of the Union prescribed in the Constitution.

4. (a) The President shall compile a list of nominees in coordination with the Chief Justice of the Union for submitting it to the Pyidaungsu Hluttaw and appoint the person approved by the Pyidaungsu Hluttaw a judge of the Supreme Court.

(b) Pyidaungsu Hluttaw shall not have the right to reject a person in the list nominated by the President for appointment of a judge of the Supreme Court unless it can clearly prove that the person does not meet the qualifications for the post the judge of the Supreme Court prescribed in the Constitution.

Esteemed Chairman, Regarding appointment of the Chief Justice of the Union and Judges of the Supreme Court, their qualifications should be prescribed. The person to be appointed to the post at the highest court of the State has to discharge duties loyally and conscientiously in exercise of the legislative powers vested in him to administer justice independently according to law. For the posts of the Chief Justice of the Union and Judges of the Supreme Court, their qualifications should be prescribed based on the age limit and qualifications upon which they are deemed to be loyal to the State, to protect and abide by laws in accordance with the Constitution, to have mature experience in judicial affairs, to uphold the code of ethics and to be capable of performing duties properly in exercise of powers vested in the Supreme Court.

As the Supreme Court has to exercise one of the three branches of the State power, the person to be appointed to a post of the Supreme Court must be not only an ordinary citizen but also citizen born of parents both of whom are citizens to be a proven fact that he is loyal to the State. Therefore, apart from the age limit, he should have qualifications prescribed for the Pyithu Hluttaw [House of Representatives] representatives. As he is to administer justice independently and to pass judgement in accordance with law, it is essential to prescribe the age limit in minimum and maximum, by then he has acquired mature experience in judicial and legal affairs.

It is found that there are differences between a country and another in prescribing the age limit for appointment of judges of the highest courts of the State. It is found stipulated in other countries that the age must be 30, 35 and 40 years minimum and 60, 65, 70 and 75 years maximum. In some countries it is prescribed to appoint judges for life. As for our country, the age limit for appointment of judges of the Supreme Court should be prescribed 50 years in minimum and 70 years in maximum.

Esteemed Chairman, The genuine multiparty democracy system will be practised in future State. As it is laid down as one of the basic principles in connection with separation and distribution of sovereign State power that 'the three branches of State power, namely, legislative power, executive power and judicial power, are separated as much as possible and exert reciprocal control, check and balance among themselves', are required to be free from party politics so as not to abuse judicial power. Moreover, they should not be Hluttaw representatives.

Regarding the qualifications of the Chief Justice of the Union and Judges of the Supreme Court, fundamental principles should be laid down in specific detail as follows:

—The Chief Justice of the Union or a Judge of the Supreme Court shall

(a) be not younger than 50 years and not older than 70;

(b) possess, apart from the age limit, the qualifications prescribed for a Pyithu Hluttaw representative;

(c) (1) have been for at least five years a Judge of the High Court of a region or state, or

(2) have been for at least 10 years a judicial officer or a law officer at not lower than region or state level, or

(3) have been an advocate of the Tayar Hluttaw (High Court) of at least 20 years' standing, or

(4) have been assumed by the President to be a legal expert of prominent reputation;

(d) be loyal to the State and the citizens;

(e) not be a member of a political party;

(f) not be a Hluttaw representative.

Esteemed Chairman, There may arise an occasion to assume that the Chief Justice of the Union or a Judge of the Supreme Court is unfit to continue in office. In that case, it should be prescribed in the Constitution on what steps the President of the State or the Pyidaungsu Hluttaw has to take. At the Plenary Session, which has been held, it is laid down as a basic principle that 'the Head of State is the President of the State; the President of the State represents the nation'. In accordance with this basic principle, the basic principles should be laid down in specific detail on for what reasons the President of the State, who is the Head of State and represents the nation and who himself nominates the Chief Justice of the Union or Judges of the State and appoints them with the approval of the Pyithu Hluttaw, instructs them to resign, and to remove them from office in the event of failure to comply with his instruction.

As such, in connection with the powers to be vested in the President of the State, specific fundamental principles should be laid down that—

—The President of the State shall instruct, for any of the following reasons, the Chief Justice of the Union or a Judge of the Supreme Court to resign and proclaim the removal from office in the event of failure to comply with his instruction:

(a) treason,

(b) violation of the provisions of the Constitution,

(c) misconduct and

(d) being disqualified for the post of the Chief Justice of the Union or Judges of the Supreme Court under the Constitution.

Esteemed Chairman, As I have clarified above, the President of the State should be vested with powers to remove the Chief Justice of the Union or Judges of the Supreme Court, so also the Pyithu Hluttaw or the Amyotha Hluttaw [House of Nationalities] should be vested with powers to impeach the Chief Justice of the Union or Judges of the Supreme Court to remove them from office. The Chief Justice of the Union and Judges of the Supreme Court are appointed by the President of the State with the approval of the Pyidaungsu Hluttaw. If it is desired by one of the Hluttaws to impeach them, it should be laid down as a detailed fundamental principle to cause the charge investigated by another Hluttaw. This procedure should be the same as the way to impeach the President or the Vice-President of the State. The fundamental principle should be laid down in specific detail that if a resolution is passed by a Hluttaw, by which the charge is investigated or caused to be investigated, deciding that the charge has been substantiated and that the offence, the subject of the charge, is such as to render the Chief Justice of the Union or a Judge of the Supreme Court unfit to continue in office, the President of the State must proceed to proclaim to remove him from office.

Therefore, regarding impeachment of the Chief Justice of the Union or a Judge of the Supreme Court, it should be laid down as fundamental principles in specific detail that—

1. The Chief Justice of the Union or a Judge of the Supreme Court shall be impeached for any of the following:

(a) treason,

(b) violation of the provisions of the Constitution,

(c) misconduct and

(d) being disqualified for the post of the Chief Justice of the Union or Judges of the Supreme Court under the Constitution.

2. If it is desired to impeach the Chief Justice of the Union or a Judge of the Supreme Court, it shall be done so in accord with the provisions of the Constitution regarding the impeachment of the President or Vice-President of the State.

3. If the Hluttaw concerned submits report that the charge has been substantiated and the offence, the subject of the charge, is such as to render the Chief Justice of the Union or a Judge of the Supreme Court unfit to continue in office, the President of the State shall proceed to proclaim the removal of the Chief Justice of the Union or a Judge of the Supreme Court.

4. If the Hluttaw concerned decides that charge has been refuted, that Hluttaw shall submit the decision to the President of the State.

Esteemed Chairman, The Chief Justice of the Union and Judges of the Supreme Court are the persons who are to exercise judicial powers and carry out duties in accordance with basic principles on judicial affairs already laid down by the National Convention. The Chief Justice of the Union and Judges of the Supreme Court should have the right to hold office up to the age of 70 as prescribed, unless they are asked to resign or removed from office by the President of the State, or until sooner resignation of own accord, or being removed from office following impeachment, or permanent disability to carry on duties due to either physical or mental defects shown by medical board of examinations prescribed by the State, or any other reasons preventing them to carry on duties, or death.

So, in connection with the term of office, the following basic principles should be laid down in specific detail:

—The Chief Justice of the Union and Judges of the Supreme Court are to hold office up to the age of 70 unless asked to resign by the President of the State or removed from office, or until one of the following occurs:

(a) resignation of own accord;

(b) being removed from office after impeachment in accordance with the provisions of the Constitution;

(c) permanent disability due to either physical or mental defects shown by medical board of examinations prescribed by the State, or any other cause rendering them unfit to carry on duties;

(d) death.

Esteemed Chairman, I have already clarified that a basic principle should be laid down in prescribing qualifications of the Chief Justice of the Union and Judges of the Supreme Court that they should not be members of political parties. So, it will be necessary to lay down a basic principle prescribing that the Chief Justice of the Union and Judges of the Supreme Court are to be free from party politics. If the person is a civil servant he should be deemed to have retired in accordance with the existing rules and regulations from the date he is appointed a judge of the Supreme Court.

So, in connection with being free from party politics or retiring from civil service of the Chief Justice of the Union and Judges of the Supreme Court, the following principles should be laid down in specific detail:

1. the Chief Justice of the Union and Judges of the Supreme Court shall be free from party politics;

2. if the Chief Justice of the Union or Judges of the Supreme Court are civil servants it shall be deemed they have retired from civil service in accordance with the existing rules and regulations from the date they are appointed the Chief Justice of the Union or Judges of the Supreme Court.

Esteemed Chairman, It will also be necessary to lay down basic principles in connection with position, duties, rights and privileges of the Chief Justice of the Union and Judges of the Supreme Court after their appointments. It should be prescribed that the position of the Chief Justice of the Union is equivalent to the Vice-President, and the position of the Judges of the Supreme Court is equivalent to a Minister of the Union. Concerning this, a separate law should be promulgated without prescribing in detail in the Constitution.

So, in connection with the duties, rights and privileges of the Chief Justice of the Union and Judges of the Supreme Court, a basic principle should be laid down in specific detail as follows:

—duties, rights and privileges of the Chief Justice of the Union and Judges of the Supreme Court shall be prescribed by promulgation of law.

Esteemed Chairman, I will continue my clarification in connection with the High Court of the Regions and States. At the previous plenary session, basic principles were laid down for the State Structure stating that the State is constituted with seven regions, seven states and Union territories, and that the regions and states are of equal status and authority. In connection with judicial matters, a basic principle was laid down that there shall be one High Court of the Region in each region and one High Court of the State in each state. The same principle should be stated again in the chapter 'The Judiciary'.

Esteemed Chairman, The head of the respective High Court in the region and state concerned should be called Chief Justice of the High Court of the Region or Chief Justice of the High Court of the State. Judges of those High Courts should be called Judges of the High Court of the Region or Judges of the High Court of the State. The required number of Judges will have to be appointed to the High Courts of the Regions or States considering the volume of work based on the stance of the High Court of the Region or State and on judicial powers, duties and rights to be vested to them. It will be natural for those High Courts that the volume of work will not be the same and subject to an increase and decrease. So, the number of Judges of the High Court of the Regions or States including the Chief Justice should be minimum three and maximum seven.

Regarding the appointment of the Chief Justices of the High Court of the Region or State, and of Judges of the High Court of the Region or State, appointment by the President of the State, who is the Head of State, with the approval of the respective Region or State Hluttaws, which are legislative bodies of the regions or states, will be in accordance with the policy of appointment applied at the Supreme Court of the Union and contributory to the policy of counter-balance among the three powers of the State. In applying the method, it should be taken into account giving the right to the Region or State Hluttaw on what conditions it can reject the person nominated by the President of the State, in order that disputes that may arise can be reduced. Such conditions should be stated in the Constitution.

The President of the State is to compile a nomination list for the appointment of the Chief Justice of the High Court of a Region and a nomination list for the appointment of Judges of the High Court of the Region, in consultation with the Chief Justice of the Union and Chief Minister of the Region concerned, and then seek the approval of the Region Hluttaw concerned. Similarly, approval is to be sought from the State Hluttaw concerned after compiling a nomination list for the appointment of the Chief Justice of the High Court of the State and a nomination list for the appointment of Judges of the High Court of the State, in consultation with the Chief Justice of the Union and the Chief Minister of the State concerned. The President of the State should appoint the Chief Justices concerned after obtaining the approval of the respective Region Hluttaws or State Hluttaws. In applying the method, it should be prescribed in the Constitution on what conditions the respective Region or State Hluttaws can reject the person nominated by the President of the State.

So, in connection with the clarification above, the following basic principles should be laid down in specific detail:

1. there shall be one High Court of the Region in each region and one High Court of the State in each state.

2. (a) the head of the High Court of the Region in the respective regions and the head of the High Court of the State in the respective states shall be called Chief Justice of the High Court of the Region or Chief Justice of the High Court of the State;

(b) at least three and maximum seven Judges of the High Court of the Region or Judges of the High Court of the State including the Chief Justice of the High Court of the Region or State can be appointed to the High Court of the Region or High Court of the State;

3. (a) the President of the State is to compile a nomination list for the appointment of the Chief Justice of the High Court of a Region or a State and a nomination list for the appointment of Judges of the High Court of the Region or State, in consultation with the Chief Justice of the Union and the Chief Minister of the Region or State concerned, and send them to the Region or State Hluttaws concerned;

(b) the President of the State shall appoint persons approved by the respective Region or State Hluttaws as the Chief Justice of the High Court of the Region or State and as Judges of the High Court of the Region or State for the respective regions and states.

(c) a region Hluttaw or state Hluttaw has no right to reject nominees of the President of the State for the appointment of the Chief Justice of the High Court of the Region or the State and nominees for the appointment of Judges of the High Court of the Region or the State unless it can show clear proof of want of qualifications prescribed for the Chief Justice of the High Court of the Region or the State or Judges of the High Court of the Region or the State.

It will be necessary to prescribe the qualifications for appointing Chief Justices of High Courts of regions or states and Judges of the High Courts of regions or states. Such persons are those who will have to lead in administration of justice in the regions and states and at the same time handle the judicial power duty-consciously and loyally and implement the policy on administering justice independently and according to law. Therefore, loyalty towards the State, preserving and abiding of law in accordance with the Constitution, having experience in shouldering judicial duties, upholding one's ethics, shouldering the responsibilities dutifully in exercising judicial powers and rights bestowed upon High Courts of regions or states and the age and qualifications are to be taken into account in prescribing the qualification of Chief Justices of High Courts of regions or states and Judges of High Courts of regions or states.

The High Courts of regions or states are to exercise the high levels of judicial power in the respective regions or states without affecting the judicial rights bestowed upon the Chief Justice of the Union. In so doing, these Chief Justices of the High Courts, as a proven fact they are loyal to the State must not only be a citizen of the State but must also be a citizen born of parents both of whom are citizens. Therefore, with the exception of the age limit, the Chief Justices of High Court of regions or states must also have the qualifications prescribed for region or State Hluttaw representatives. As they are persons who must pass a correct decision independently in accordance with the law and for them to be well-experienced in legal and judicial affairs and to be matured and dignified, the lowest and highest age limits should be prescribed.

In connection with the prescribing of age limit for Chief Justices and Judges of High Courts of regions or states, it should be done by comparing the lowest age and highest age limits prescribed for Chief Justice of the Union and Judges of the Supreme Court. It has been clarified that the lowest age limit for the Chief Justice and Judges of the Supreme Court of the Union is 50 years and highest age limit is 70 years. By taking into consideration that the Judges of High Courts of region or state have sufficient experience and are quite matured and dignified they will have a chance to be appointed as Judges of the Supreme Court which is one level higher, the lowest age limit of Chief Justices and Judges of High Courts of region or state should be prescribed as 45 and the highest age limit as 65. The Chief Justice and Judges of High courts of region or states should also be persons who are free of party politics and are not Hluttaw representatives.

Therefore, in connection with the qualifications of Chief Justice and Judges of High courts of region or state basic principles should be prescribed as follows:—

—The chief Justice and Judges of High Courts of regions or states must have the following qualifications:—

(a) they should not be younger than 45 years of age and not older than 65 years of age;

(b) with the exception of age limit, they must have the qualifications prescribed for region or state Hluttaw representatives;

(c) (1) if they are judicial officers or law officers, they should hold the post not lower than that of region or state level for at least five years or not lower than that of district level for at least 10 years; or

(2) if they are advocates they should have not less than 15 years' service; or

(3) those regarded by the President of the State as well-known legal experts for good reputation;

(d) those who are loyal to the State and the citizens;

(e) are not political party members;

(f) are not Hluttaw representative.

Esteemed Chairman, There may arise a situation in which the Chief Justice or Judges of the High Court of a region or state should not continue to hold the post. In such a situation it is necessary to prescribe explicitly in the Constitution what further steps should be taken either by the President or the respective region or state Hluttaw. In the basic principles laid down in the Chapter on the State at the previous Plenary Session held it is stated, "the Head of State is the President of the State", and "the President of the State represents the Union". In accordance with this principle as the President is the Head of State and also represents the Union, basic principles should be laid down giving the right to the President to order the Chief Justice or Judges of High courts of region or state he himself had nominated in consultation with the Chief Justice of the Union and Chief Minister of the region or state concerned and then appointed and assigned duties with the approval of region or state Hluttaw concerned, to resign for what kind of reasons and the right to order them to be removed from office.

Therefore, as clarified above in connection with the entrusting the President with the rights, precise basic principles should be laid down as follows:—

—if a Chief Justice or a Judge of the High Court of region or state infringes one of the undermentioned points, then the President has the right to order that person to resign and to remove him from office if he fails to comply with the order:—

(a) treason;

(b) violation of the provisions of the Constitution;

(c) misconduct,

(d) being disqualified for the post of Chief Justice or Judge of High Court of region or state as prescribed in the Constitution;

Esteemed Chairman, As clarified above, as it is appropriate to give the President the right to act so also rights should be given to region or state Hluttaws, the method of impeaching the Chief Justice or Judge of High courts of region or state and removing them from office. In connection with the method of impeaching by region or state Hluttaw it is to be clarified that there is only one Hluttaw at region or state level and a written proposal signed by at least one-fourth of the total membership of Hluttaw of region or state shall be submitted to the Chairmen of the Hluttaw concerned. The Chairman of the Hluttaw concerned shall cause the charge to be investigated by forming a commission. The Chairman of the Hluttaw is to report to the region or state Hluttaw on the results of the investigation submitted to him by the investigation commission. If it is found that the charge is correct and that the Chief Justice or Judge of High Court of region or state is not fit to continue in office, then it is to be supported by not less than two-thirds of the total membership of the Hluttaw of the region or state and the Chairman of the Hluttaw is to submit the matter to the President. If such report is presented then the President is to order the removal of that person from office.

Therefore, in connection with impeachment of Chief Justice or Judge of High Court of region or state a precise basic principle should be laid down that—

1. a Chief Justice or a Judge of the High Court of region or state shall be impeached for any of the following:—

(a) treason;

(b) violation of the provisions of the Constitution;

(c) misconduct;

(d) being disqualified for the post of Chief Justice or Judges of the High Court of region or state as prescribed in the Constitution;

2. if there is cause to impeach a Chief Justice or a Judge of the High Court of a region or state for any of the above offences a proposal in writing signed by not less than one-fourth of the total membership of the region or state Hluttaw shall be submitted to the Chairman of the Hluttaw concerned;

3. the chairman of the Hluttaw concerned shall cause the charge to be investigated by a commission. The term pending the completion of the investigation shall be determined depending on the magnitude of the charge;

4. the Chief Justice or Judge of the High Court of the region or state who is charged shall have the right to appear or to be represented at the investigation of the charge and be given the chance to refute;

5. the finding made by the investigation commission on the charge made by the region or state Hluttaw on the Chief Justice or Judge of the High Court of a region or state is to be submitted to the Chairman of the Hluttaw concerned, the Chairman of the Hluttaw shall report it to the region or state Hluttaw. If a resolution is passed, supported by not less than two-thirds of the total membership of the Hluttaw concerned, declaring that the charge is such as to render the Chief Justice or the Judge of the High Court of the region or state unfit to continue in office, the Chairman of the Hluttaw shall submit it to the President of the State;

6. the President on receiving the report shall order the removal from office of the Chief Justice or the Judge of the High Court of region or state;

7. if the Hluttaw of the region or state concerned decides that the charge against the Chief Justice or Judge of the High Court of the region or state concerned has been refuted, the Chairman of the Hluttaw concerned shall report the decision to the President.

Esteemed Chairman, It will be necessary to prescribe the normal term of office of the Chief Justice and Judges of the High Court of the region or state, except in cases in which the President of the State orders resignation or termination of service of any of them. Like the Chief Justice of the Union and Judges of the Supreme Court, they should have the right to serve up to the age of 65 years, except in cases of voluntary resignation, termination of service after impeachment, becoming unfit to continue service for permanent disability due to impairment of physical or mental health as certified by the medical board prescribed by the State or for some other reason, or in the case of one passing away.

So in connection with the term of office, detailed principles to form basis should be laid down that—

—except in cases in which the President of the State orders resignation or termination of service, the Chief Justice and Judges of the High Court of the region or state have the right to serve till they are fully 65 years of age, if there does not arise any of the following reasons:

(a) voluntary resignation;

(b) termination of service after impeachment in accord with the provision of the State Constitution;

(c) becoming unfit to continue service for permanent disability due to physical or mental impairment as certified by the medical board prescribed by the State or for some other reason;

(d) death.

Esteemed Chairman, It has earlier been explained it should be laid down as a basic principle in prescribing qualifications for them to the effect that, like the Chief Justice of the Union and Judges of the Supreme Court, the Chief Justice and Judges of the High Court of the region or state shall not be political party members. If they happen to be civil servants, they should be considered as having retired from civil service from the date they are appointed as Chief Justices or Judges.

So, in connection with the need for the Chief Justice and Judges of the High Court of the region or state to be free of party politics and to retire from civil service, it should be laid down, as detailed principles to form basis, that—

1. the Chief Justice and Judges of the High Court of the region or state shall be free of party politics;

2. the Chief Justice and Judges of the High Court of the region or state, if they happen to be civil servants, shall be considered as having retired from civil service from the date they are appointed as Chief Justice or Judges of the High Court of the region or state.

Esteemed Chairman, It will be necessary to lay down principles to form basis in connection with the status of the Chief Justice and Judges of the High Court of the region or state and their responsibilities, rights and privileges. It should be prescribed that the Chief Justice of the High Court of the region or state is of the same status as a Union minister and that judges of the High Court of the region or state are of the same status as Union deputy ministers. In connection with these matters, details should not be prescribed in the State Constitution but be prescribed by law. So, in connection with responsibilities, rights and privileges of the Chief Justice and Judges of the High Court of the region or state, it should be laid down, as a principle to form basis, that—

—responsibilities, rights and privileges of the Chief Justice and Judges of the High Court of the region or state shall be prescribed by law.

Esteemed Chairman, I will continue to explain matters in connection with the formation of courts under the high court of the region or state.

There are normally two kinds of courts—original court and appeal court. If there are too many levels of courts, people would appeal to level after level of courts and it would entail a lot of time and efforts. So it will be necessary to have levels of courts as appropriate, to be in accord with the procedures being practised in permitting appeals and revisions and to enable people to enjoy the right of appeal in accord with law. So only two levels of courts should be formed under the High Court of the region or state—the two levels being self-administered division court if there is a self-administered division in the region or state, and township court; or self-administered zone court if there is self-administered zone in the region or state and township court; in areas other than self-administered division or zone, there should only be district court and township court. In Union territories, if necessary, there may be districts and townships. So, in Union territories, there are to be formed district courts and township courts.

Under the region or state high court, there may be other courts separately set up by law. For instance there are separately formed courts such as juvenile courts. As there may be such other courts as those set up by law in future too, there should be such other courts as those set up by law under the High Court of the region or state.

So, in connection with formation of various levels of courts under the High Court of the region or state, it should be laid down, as principles to form basis, that—

—under the High Court of the region or state, there are the following levels of court:

(a) if there is no self-administered areas in the region or state
(1) district courts
(2) township courts

(b) if there is self-administered area in the region or state
(1) in the self-administered division
(aa) court of the self-administered division
(bb) township courts
(2) in the self-administered zone
(aa) court of the self-administered zone
(bb) township courts
(3) in other areas
(aa) district courts
(bb) township courts

(c) in Union territory
(1) district courts
(2) township courts

(d) other courts set up by law.

Esteemed Chairman, I will continue to clarify matters of appointing judges at courts under the High Court of the region or state, giving them judicial powers, prescribing their responsibilities, rights and privileges, forming service organizations and prescribing duties, rights and privileges thereof at the Supreme Court, region or state high courts and remaining courts.

In appointing judges at lower courts other than the Supreme Court and the region or state high court, they should be appointed as State service personnel. As they are State service personnel, they should be appointed in accord with laws governing appointment of State service personnel. Giving them judicial powers and prescribing their duties, rights and privileges should be as in accord with separately enacted law.

In connection with having service organizations at various levels of courts, there will have to be service organizations comprising officers and other ranks at the Supreme Court, region or state high courts and various levels of courts under them. Forming service organizations and prescribing duties, rights and privileges for service personnel in them should be as in accord with separately enacted law.

So, in connection with matters of appointing judges at courts other than the Supreme Court and region or state high courts, giving them judicial powers and prescribing their duties, rights and privileges, and forming service organizations at these courts and prescribing their duties, rights and privileges, it should be laid down, as detailed principles to form basis, that—

1. appointing judges at lower courts other than the Supreme Court and the region or state high court, giving them judicial powers and prescribing their duties, rights and privileges should be in accord with law.

2. forming service organizations comprising officers and other ranks at the Supreme Court, region or state high courts and various levels of courts under them and prescribing duties, rights and privileges for service personnel in them should be in accord with law.

Esteemed Chairman, Now, at this Plenary Session, I have explained the observations of the National Convention Convening Work Committee on matters concerning self-administered areas—the topic left for further discussion in continuation of discussions on the State structure—and matters concerning the legislature, the executive and the judiciary, the three of the chapter headings already prescribed. These explanations are for discussion by the delegates for the National Convention to lay down as detailed principles to form basis. So, if the delegates have other suitable points to add and suggest, they are to do so in accord with the six objectives of the National Convention, the principles to form basis already laid down, and the procedures of conducting the National Convention. With this I conclude.

Brunei, Malaysia & Singapore

Malaysia

* Mahathir Comments on Relations With Israel

94SE0227C Kuala Lumpur BERITA HARIAN in Malay 6 Aug 94 p 2

[Text] Kuala Lumpur, 5 Aug—Malaysia is prepared to establish diplomatic relations with Israel, provided the

Tel Aviv regime is truly serious about peace and does not humiliate the Palestinian people as it does now, said Datuk Sri Dr. Mahathir Mohamad.

According to the prime minister, Malaysia does not have such a hard position that it cannot give consideration to the decisions of other parties, including those of Arab countries that have signed peace accords with Israel.

"If Arabs and Palestinians can establish relations with Israel, and if Israel is sincere, why cannot we do the same? We do not have such a hard position that we cannot give consideration to what other parties do," he said today in reply to questions from reporters after opening the first Congress of East Asian Youth Leaders at the Putra World Trade Center. The congress is sponsored by the National Organization of Youth.

Dr. Mahathir was asked to give his views on a BERITA MINGGU commentary of last Sunday [31 July] that, among other things, envisioned the possibility that the Malaysian people must accept the fact that one day diplomatic relations will be established with Israel, since Malaysia is not anti-Jewish and has never been an enemy of Israel. According to the commentary, Malaysia must continue its pragmatic foreign policy, because neighboring countries, like Thailand and Singapore, have established diplomatic relations with Israel.

Also, the Arab countries of Jordan and Syria have signed peace accords with Israel. They took that step after a peace accord was signed between Israel and the Palestinian Liberation Organization (PLO) at the White House in Washington, D.C., last year, giving Palestine the opportunity to administer the Gaza and Jericho areas.

Dr. Mahathir said Malaysia will not continue the old policy if there are countries that establish diplomatic relations with Israel without causing problems or mutual recriminations.

"If Israel does not change its position, there will be no relations, even to Judgment Day," he said.

Malaysia did not have diplomatic relations with South Africa because of opposition to the apartheid policy. When the F.W. de Klerk government showed its sincerity by restoring democracy through recognition of the country's black majority, however, this country immediately opened an office there.

When asked about the Jerusalem situation, including the issue of the liberation of the al-Aqsa Mosque, which is the basis for the protracted dispute between Israel and Palestine, the prime minister said the issue is one of the reasons why Malaysia cannot establish relations with Israel. He said that Jerusalem is a holy place recognized by the followers of three great religions, namely Islam, Christianity, and Judaism.

"Formerly, when Jerusalem was administered by Muslims, it was open to everyone without any hindrance. Why can it not be returned to Palestinians now merely for administration but open to all religious people?" he asked.

* Minister on Participation in Bosnia Force

94SE0227B Kuala Lumpur UTUSAN MALAYSIA in Malay 11 Aug 94 pp 1, 2

[Text] Kuala Lumpur, 10 Aug (BERNAMA)—Malaysia is willing to join a unified task force in Bosnia-Herzegovina, even at its own expense, if the role of the United Nations Protective Force (UNPROFOR) in that country changes.

Minister of Defense Datuk Sri Najib Tun Razak said this action will depend on developments in Bosnia and on the views of the United Nations and the great powers, however.

"We are willing, but we have not yet decided the size of the contingent, our role, or our mandate. These matters must be linked to our capabilities as a small country," he told reporters today after meeting with members of the Veterans Association at his office.

Najib said that the cabinet, which had its weekly meeting today, again affirmed Malaysia's position to remain in Bosnia-Herzegovina if the United Nations withdraws its forces.

Change in Mandate

Nevertheless, he said, Malaysia still wants the United Nations to remain in Bosnia, but with a change in mandate.

"If that is not agreed to, countries wanting to support Bosnia may be invited to join a force called the Unified Task Force. That will be at our own expense, however, which means that the government will be responsible for the cost as our contribution and the contribution of the country, which views developments in Bosnia as very serious. From the aspect of policy, however, we will not retreat from playing a role in Bosnia," Najib said. He stated that Malaysia must bear great cost in order to make such an effort.

He could not give an estimate of the cost, however, because everything depends on the size of the contingent to be sent. He said the United Nations will merely make requests to countries that want to continue membership in the task force if the UNPROFOR forces are withdrawn. This matter has not yet been finalized, however, and is still under discussion, although the world organization has declared the possibility of it.

When asked whether Malaysia will buy additional equipment for military personnel who will be assigned to Bosnia, Najib said it is now hard to say, because the government needs to watch unfolding developments.

"If we need to play a role in enforcing security, however, we will need to upgrade armored vehicles and antitank offensive weapons."

In this regard, he said that Malaysia has a rather long list for upgrading the capabilities of its attack force.

* Vocational High Schools To Be Upgraded

94SE0228B Kuala Lumpur BERITA HARIAN in Malay 3 Aug 94 pp 1, 2

[Text] Kuala Lumpur, 2 Aug—Vocational secondary schools throughout the country will be upgraded to technological institutes and higher technological institutes beginning next year. At the same time, the polytechnic level will be raised to university college level. There are now 69 vocational secondary schools and six polytechnic schools in the country.

Ministry of Education sources told BERITA HARIAN that the proposal has been approved at the ministry level and will be presented to the National Development Planning Committee, chaired by Tan Sri Ahmad Sarji Abdul Hamid, in two weeks. He said the purpose of this action is to create skilled workers with more capabilities in order to meet the needs of the national industrialization process, in accordance with the government's determination to make Malaysia a developed country.

"By raising the level of vocational schools to technological institutes and higher technological institutes, the ministry is focusing attention only on training in advanced skills, whereas training in ordinary skills will be done by other agencies. The ministry cannot maintain the old skill training concept if it wants to create more effective skilled workers to meet the requirements of the national industrialization process," he said.

Meanwhile, Minister of Education Datuk Amar Dr. Sulaiman Daud said that as a beginning, 20 vocational schools will be upgraded by next year. He said the ministry is studying all vocational schools throughout the country as the first step in the process before all the schools are upgraded.

"The purpose of this action is to create skilled workers in the technical field, because there is an increasing shortage of them now," he told reporters today after inaugurating the Third Regional Conference on the Use of Computers in Civil Engineering.

Dr. Sulaiman said that several types of courses, such as robotic engineering and civil engineering, will be added as soon as the schools involved are upgraded. Because of the upgrading, he said that students seeking selection by the institutes will need to excel in the science and mathematics areas of the Lower Secondary Evaluation (PMR).

He said basic courses in vocational schools will be moved to other educational institutions under the management of MARA [Council of Trust for Indigenous Peoples] and the Ministry of Human Resources.

Vocational schools originally were introduced to provide students with basic knowledge and skills to give them opportunities for applying for work in the industrial and civil sector. Vocational school graduates are also encouraged to conduct their own businesses. So far, more than 137,000 students have graduated from the Technical and Vocational Education System at the certificate and diploma levels.

Previously, the requirement for entering vocational school was a passing grade of A, B, C, or S on the Lower Certificate of Education Examination. For employment purposes, the Certificate of Vocational Education is on the same level as the Malaysian Certificate of Education. The vocational education system underwent change at the beginning of 1987 when the ministry introduced two specialties, i.e., vocational education, which emphasized academics, and vocational skills training, which focused on skills.

Singapore

FPDA Ministers Agree on Structural Modification

BK2009121594 Singapore Singapore Broadcasting Corporation in English 1100 GMT 20 Sep 94

[Text] Defense Ministers of the Five Power Defense Arrangement [FPDA] are modifying its organizational structure to strengthen the decisionmaking process.

Singapore's Defense Minister Dr. Lee Boon Yang said this is being done in anticipation of the enhancement of FPDA activities and the need to ensure they are better managed, planned and coordinated. The FPDA involved Australia, New Zealand, Britain, Malaysia and Singapore.

Under the revised structure, a new FPDA consultative council [FCC] will be formed. Dr. Lee said this will replace the existing Joint Consultative Council and the Air Defense Council which were set up in 1971.

The new FCC is expected to start work by the end of the year. It will set the general policy guidelines for all FPDA activities and discuss issues which draw the interest to all member countries.

Dr. Lee made the announcement at a joint news conference by the five ministers after the FPDA Ministers Conference was (?held) in Singapore this year. He stressed that while the FPDA must change with the time, its fundamental objective is still providing a deterrent to any aggressor against Malaysia and Singapore.

The ministers will hold their next conference in Kuala Lumpur in 1997. After their meeting today, the ministers called on Acting Prime Minister Brigadier General Lee Hsien Loong.

Cambodia

Defense Ministers Discuss Aid With U.S. Delegation

BK2009141194 Phnom Penh National Radio of Cambodia Network in Cambodian 1200 GMT 20 Sep 94

[Text] His Excellency [H.E.] Tie Banh and H.E. Tea Chamrat, co-ministers of national defense, received a

U.S. Army delegation led by Brigadier General Mark Hamilton, representative of the U.S. Defense Department, at the Defense Ministry on the morning of 19 September. H.E. Tie Banh briefed the delegation about the military and security situation in the Kingdom of Cambodia at present, saying peace has not yet been fully restored to the country. This is because the Khmer Rouge have not agreed to give up its activities or attempts to expand its territory. He added that the Khmer Royal Armed Forces [KRAF] are extremely delighted at the positive response of the United States to a request for assistance to the KRAF, such as assistance in engineering and mine clearance.

For his part, Brig. Gen. Hamilton said: Although peace has not yet been fully achieved with the implementation of the Kingdom of Cambodia's national reconciliation policy, Cambodia has been endowed with a legal government which came into being through the people's election.

The U.S. Army delegation was later received by H.E. Ke Kimyan, chief of the KRAF General Staff, who informed about the process of restructuring the KRAF, including education, skill, and technical training. He also discussed a plan to create a KRAF development zone for officers and rank and file to be demobilized in the future. Finally, H.E. Ke Kimyan informed the U.S. Army delegation about areas which are lacking, such as training schools, barracks, and so on, and about the present living conditions of KRAF officers and combatants.

KR Radio Protests Visit by U.S. Defense Official

BK2009140794 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 20 Sep 94

[Unattributed commentary: "Why Is Mark Hamilton Paying a Secret Visit to Phnom Penh?"]

[Text] The United States knows very well that the Cambodian people are perfectly aware of its true role as the one who is kindling the communist Vietnamese war (?of aggression) in Cambodia and opposing Cambodia's national reconciliation. The United States is the Satan who has come to help communist Vietnam exterminate the Cambodian race.

The Cambodian people, who have been suffering for the past 15 years, are very angry with this new Satan. The Cambodian people, especially those in Phnom Penh, who have been massacred and persecuted in every way by the two-headed government are looking for this new Satan. If they find him, they will throw eggs at him and splatter his face with faeces. This is why Mark Hamilton's visit is secret.

This shows that the United States and the other villainous allies are not able to take a firm stand in Cambodia. This is because:

1. They know very well that no Cambodian sides with the two-headed government.

2. They have experienced the dynamic character of the Cambodian people and know that they will not be able to do anything at will.

As for the American people, they will not comply with the American administration. They will not come here to fight for fear of dying worthlessly.

Ranariddh: Door 'Always' Open Door for KR

BK2109020694 Phnom Penh National Radio of Cambodia Network in Cambodian 1300 GMT 20 Sep 94

[Text] First Prime Minister Prince Krompreah Norodom Ranariddh of the Royal Government of Cambodia [RGC] has said that the most effective medicine for restoring genuine peace to Cambodia is national reconciliation, nonpartisanship, and the elimination of corruption. The prince added: If we are able to overcome these points, peace will definitely be restored to Cambodia.

In a speech, the prince first prime minister, who is very enthusiastic about developing the national community, said the RGC, with himself as first prime minister and Samdech Hun Sen as second prime minister, had no intention of furthering war and carrying out killing. The prince added that the Khmer Royal Armed Forces [KRAF] fulfilled its role of defending the national interests and providing genuine peace for the Cambodian people very efficiently.

However, Prince Krompreah Norodom Ranariddh stressed that national reconciliation should depend on a well-defined legal framework, saying the the national Constitution, the National Assembly, the national government, and the monarchy with His Majesty King Norodom Sihanouk Varaman as leader are all within the legal framework; any deviation from the framework can never bring about peace and national reconciliation.

Prince Krompreah Norodom Ranariddh further said: It is impossible for the Khmer Rouge [KR] to evoke its demand for peace and national reconciliation outside the legal framework. If the KR group really wants peace, the RGC and National Assembly will always open the door for it and will always follow His Majesty's policy. In sum, the only way to restore genuine peace to Cambodia is for all Cambodians to unite around the throne and the king and heed His Majesty's policy.

Ranariddh, Hun Sen Chair 21 Sep Cabinet Meeting

BK2109071094 Phnom Penh National Radio of Cambodia Network in Cambodian 0500 GMT 21 Sep 94

[Text] At 0800 on 21 September, a plenary session of the cabinet of the Royal Government of Cambodia [RGC] was chaired by Prince Krompreah Norodom Ranariddh, first prime minister; and Samdech Hun Sen, second prime minister.

Attending were Prince Kromkhun, princes, excellencies, and ladies from the ranks of deputy prime minister, state minister, minister, and state secretary from all ministries and national establishments. The session included debate on draft bills relating to income taxes, requirements for building permits, the amendment to Articles 20, 45, and 55 of the 1994 finance law, adjustment of the budget for the second half of 1994 and for the entire 1994 fiscal year, and examination of the draft sub-decree on passports.

* Koh Kong Troops Seek Removal of Official

[Editorial Report] The 22 July KAOH SANTEPHEAP featured on its front page a commentary and an open letter from military personnel in Koh Kong Province calling for the removal of Deputy Governor Pal San, a National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia [FUNCINPEC] official. The letter was addressed to Prime Ministers Norodom Ranariddh and Hun Sen as well as the co-ministers of interior and national security.

In its commentary, KAOH SANTEPHEAP called Pal San "arrogant, intrusive, and prone to empire-building," noting that no one could escape his "abuse." The paper reported that the deputy governor even had trouble getting along with another FUNCINPEC deputy governor, Vann Kiriroat, whom Pal San accused of being too close to Cambodian People's Party Governor Rung Phlamkesan. The paper observed that his behavior contravened the co-prime ministers' appeals for unity among senior provincial officials.

In their letter, the military personnel complained that Pal San has "created conflict with the civilians and provincial officials in military and militia recruitment and with wounded veterans, and that 90 percent of the people, officials, and military personnel in the province have no confidence in him."

* Food Shortages Noted in 'Number of Provinces'

[Editorial Report] The 27 July REAKSMEI KAMPUCHEA cited a Commerce Ministry official's reporting that there were food shortages in "a number of provinces" and that these shortages would "persist longer than in previous years." Some districts in Kandal, Kampot, and Takeo Provinces are reportedly importing rice from Vietnam. The official noted that Cambodian-grown "Grade 2" rice is about twice as expensive—up to 800 riel per kilogram—as that imported from Vietnam. Another official, not from the same ministry, said that Svay Rieng and Prey Veng Provinces were also importing Vietnamese rice. The official predicted that imports will continue to increase until the Cambodian wet season crop is harvested.

The Commerce official cited the following reasons for the current shortages of domestic rice: The United Nation's World Food Program rice purchases in western Cambodia; seasonal shortages as the previous year's crop is consumed with the current crop not yet harvested; transportation problems and "official extortion" at roadblocks; and the failed July coup attempt.

The Agriculture Ministry had announced early this year that Cambodia would face a shortage of 200,000 tons of rice during the year or about the same as in 1993. The newspaper noted that rice prices would be higher than last year.

* Official: No Local Personnel Shifts Planned

[Editorial Report] The 12 August REAKSMEI KAMPUCHEA carried an article in which Prach Chan, chief of the Interior Ministry's General Directorate of Administration, discussed subdistrict chiefs' assignments. He told reporters that incumbents would remain in their jobs for at least two more years when elections for subdistrict chiefs may be held. Prach Chan said that these elections would depend on the availability of budgeted funds and the security situation at the time. He noted that under the former State of Cambodia [SOC] administration, subdistrict chiefs were elected. He told reporters that he was uncertain if the current law required this.

For now, according to Prach Chan, local officials would remain in place "unless they are ineffective or lose the trust of the people," in which case they would be investigated, and if necessary, changes would be made. He said that to date, there have been no serious complaints brought to the Ministry.

Prach Chan noted that following the 1993 elections, local officials abandoned their positions fearing transfers or unemployment, and this "created serious administrative disorder" at the subdistrict level. He reported that a government protocol ordering subdistrict chiefs to remain in their positions has stabilized the situation "bit by bit," especially in the rural areas where "all responsibilities had been abandoned" after the elections. He noted that under the SOC, the subdistrict authorities had been a force for local stability and security which in turn strengthened the district and province level. "But after the elections, this was all abandoned," a factor he said led to increased Khmer Rouge activity.

According to Prach Chan, the composition of the new subdistrict leadership will resemble that of the SOC. Pay will be 30,000 riel per month for subdistrict chiefs and 22,000 for village chiefs.

Indonesia

Government Expresses 'Relief' Over Haiti Situation

BK2009124594 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 20 Sep 94

[Text] The Indonesian Government has expressed relief at the current situation in Haiti. This is because all efforts to solve the problem in Haiti through diplomatic channels and negotiations that were proposed by Indonesia were successful in preventing a military invasion and bloodshed on the Caribbean island.

A Foreign Department press statement released in Jakarta today said that Indonesia hopes for a comprehensive and lasting solution to the fate of the islanders.

* Suharto Outlines Economic Goals Till 2019

[Editorial Report] The 22 August Jakarta weekly economic magazine WARTA EKONOMI in Indonesian on page 28 reported President Suharto's economic goals for the next 25 years. The president said that one of the most "crucial" targets is the quadrupling of the real value of the per capita income of Indonesians. To achieve this, the president said, Indonesia must have an average economic growth rate of over 7 percent. He also mentioned that the country's economy is burdened by a foreign debt that has surpassed $90 billion, and a drop in non-oil exports. Suharto said that apart from growth, he has a "clear and firm" objective for the country to overcome poverty. He also noted that poverty alleviation programs have been launched and have identified about 20,000 of the country's poorest villages needing special attention.

Suharto stated that Indonesia's annual economic growth rate has been averaging 6.8 percent for the last 25 years and has remained at 6.9 percent over the last five years. The industrial sector has been the leading area of development, recording 12.4-percent growth in the last five years, Suharto added. The president further said that although the industrial sector would need to lead growth in the future, the agricultural sector, which employs about 50 percent of the country's workforce, would not be neglected.

Finally, Suharto pointed out that Indonesia is expecting a "banner year" in foreign investments. He added that the government intends to issue more deregulation packages and will try to reduce red tape. The goal for Indonesia is to prepare for an economy that can survive in an increasingly unified and competitive global economy, the president said.

* Warnings on Country's Economic Risks

94SE0226A Jakarta KOMPAS in Indonesian 10 Aug 94 pp 1, 18

[Text] Jakarta (KOMPAS)—There are three risk factors that need to be given careful attention with regard to economic development during this fiscal year 1994-95. These three factors are the oil price situation, excessive increases in imports as a result of greater domestic economic activity, and the continuing rise in the exchange value of the currencies of principal industrialized countries, especially the Japanese yen against the U.S. dollar.

Bank of Indonesia [BI] Governor J. Sudradjad Djiwandono outlined these Tuesday, 9 August, at a seminar entitled "A View of the Indonesian Economy in 1994-95, Opportunities and Obstacles in REPELITA VI [Sixth Five-Year Development Plan]," held by the Alumni Association of the University of Indonesia Economic Faculty [FE-UI] at the Jakarta Convention Center.

Besides Sudradjad, speakers included James A. Hanson, member of the economic staff of the World Bank office in Jakarta; Nissanke Wirasinghe, chief of the International Monetary Fund (IMF) office in Jakarta; Moh. Arsjad Anwar, professor at the FE-UI; and Sjahrir, managing director of ECFIN [expansion unknown].

"The Indonesian economy appears to have a big opportunity for steady growth in 1994-95, despite the existence of risks that need to be watched," Sudradjad said.

According to the BI governor, although world oil prices have shown a rising trend since April, experience from previous years indicates that this increase must be watched, because oil prices have high levels of uncertainty. He admitted that the role of oil in the Indonesian economy has greatly declined and that the influence of the price of oil on the balance of payments and government finances is very much less than 8 to 10 years ago. Nevertheless, he said, what needs to be watched with respect to declining oil prices is the indirect effect, namely a negative influence on the business community's optimism and on public confidence in prospects for the Indonesian economy.

In this regard, Sudradjad said, the government will keep trying to create a climate of calm and, as far as possible, will avoid surprises to the public. "The participation of the public and of the business community itself in creating such a climate is an absolute must," he said.

Prices of Indonesian oil, especially the Minas and Duri types, were stable on the cash ("spot") market throughout last week (29 July-5 August). Data from PERTAMINA [National Oil and Natural Gas Company] show that the Minas type, which is the "benchmark" for Indonesian oil, reached an average of $20.76 per barrel during that one-week period, while the Duri type sold at an average of $18.11 per barrel. This means that both were still considerably higher than the reference price of $16.00 per barrel in the 1994-95 APBN [National Budget].

On Monday, 8 August, Minas was still valued at $20.55 per barrel on the cash market, while Duri was selling at $17.85 per barrel.

The trend toward stable oil prices was strengthened by the estimate made in Jakarta on Monday night by Prof. Subroto, secretary-general of the Organization of Petroleum Exporting Countries (OPEC), who is also a former minister of mining and energy. Speaking to members of the Indonesian Institute for Energy Economy (IIEE), which was also included Minister of Mining and Energy

I.B. Sudjana, Prof. Subroto estimated that the OPEC "basket" price of oil will be between $18.00 and $19.00 per barrel until the year 2000.

Besides the oil price factor, the BI governor pointed to another risk factor in the form of excessive increases in imports caused by heightened domestic economic activity. "That possibility is primarily for private sector imports, which since the end of 1993 have shown increases," he said.

He also touched on public fears that the Indonesian economy may heat up again, as in 1989 and 1990. That fear, he said, is understandable, seeing that an excessive increase in economic activity can have a detrimental impact if not supported by adequate financing and infrastructure capabilities.

"Indonesian economic conditions have greatly changed, however. Deregulation policies in the real sector have encouraged a better business climate and have enabled adequate expansion in infrastructure," he said as he expressed hope that increases in imports can be kept within "safe limits."

Another risk factor is related to the continuing rise in the exchange rates of the main industrialized countries, especially the rise of the yen against the U.S. dollar. This appreciation of the yen against the U.S. dollar has had a detrimental impact on Indonesia's foreign debt, which in turn has reduced room to move in the national budget and has suppressed the balance of payments.

"By continuing to follow careful fiscal and monetary policies, including better management of foreign debt, the risk of interference with the macro balance in 1994-95 can be rapidly anticipated without the need to make drastic adjustments," he stated.

The overall position of Indonesia's foreign debt at the end of the First Long-Term Development Phase (PJP I) in 1993-94 was $83.3 billion, or about 58 percent of the gross domestic product. That debt consisted of $55 billion in government loans, $5 billion in loans by government corporations, and $23.5 billion foreign loans obtained by the private sector.

According to one source, each decline of one yen in its exchange value against the U.S. dollar makes Indonesia's debt rise by $30 million to $50 million. Along with the amount of the debt, the size of principal and interest payments has been increasing from year to year. When the debt is compared to the value of exports, the DSR, or debt service ratio, reached 30.5 percent by the end of PJP I.

The amount of foreign debt was also stressed by James Hanson of the World Bank and Wirasinghe of the IMF. These two organizations are the main donors to Indonesia in the consortium of countries and international organizations belonging to the Consultative Group on Indonesia (CGI).

Wirasinghe said that although Indonesia has always been successful in managing foreign debt, the liquidity risk must continue to be watched. This is because the private sector will have a growing role in the economy, which in turn opens the possibility of an expanding foreign debt in the private sector. Such debt usually is short-term and contains stringent conditions. He estimated that as a percentage of Indonesia's total foreign debt, private indebtedness rose from 22 percent in 1987-88 to 34 percent in 1993-94.

For that reason, the IMF official described the urgency for maintaining management of Indonesia's foreign debt as "an important challenge."

He also urged careful monitoring of private foreign debt, which may continue to grow. Wirasinghe said it is important to monitor data on private indebtedness so that a more careful management of overall indebtedness can be established.

As expressed by James Hanson also, careful debt management policies continue to be important for Indonesia, both indirectly through the implementation of fiscal and monetary policies, and directly through the role of the Foreign Commercial Loan Team.

* Official Sees Widening Economic, Social Gap

[Editorial Report] The 16 August Jakarta BISNIS INDONESIA in Indonesian on page 4 reported Speaker Wahono's expressed concern about the widening economic and social gap that might lead to disruption in development. Wahono said that the number of Indonesians living below the poverty line is still "quite large" and that more attention must be given to isolated areas and transmigration sites during Indonesia's second long-term development plan (1994-2019). He observed that improvements in human resources, productivity, and efficiency are necessary in order to maintain the current level of economic growth. He pointed out that the government has begun to move in the right direction by adopting debureaucratization and deregulation measures.

Laos

Foreign Minister Leaves for Cuba, UN Session

BK2009050294 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 20 Sep 94

[Text] Yesterday [19 September] morning, Foreign Affairs Minister Somsavat Lengsavat left Vientiane for an official friendship visit to the Republic of Cuba. The visit, scheduled for 21 to 26 September, is in response to an invitation from Cuban Foreign Minister Roberto Robaina Gonzalez.

During the visit, Somsavat will hold discussions with his Cuban counterpart on bilateral cooperation and international issues of common interest. It is expected that the two sides will also sign a cooperation plan. Somsavat is also scheduled to visit some economic and cultural establishments as well as historic sites in Havana. After visiting Cuba, the delegation will proceed to New York to attend the 49th UN General Assembly session.

Foreign Minister Receives Indian Special Envoy

BK2009045094 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 20 Sep 94

[Text] On the afternoon of 18 September, Foreign Affairs Minister Somsavat Lengsavat received (Jagat Shah), special envoy of Indian External Affairs Minister Dinesh Singh, who arrived in Vientiane that day.

(Jagat Shah) handed over a letter from Singh, pointing out Pakistan's effort to make the Kashmir issue to become an international issue by claiming that India has violated human rights in that area. The letter noted that Pakisan will probably raise the issue for consideration at the 49th UN General Assembly session, which is scheduled to be held soon.

Somsovat was of the view that India and Pakistan are neighboring countries and that both are also members of the Nonaligned Movement. He said: In view of this, the Lao People's Democratic Republic, as a member of the Nonaligned Movement which has maintained good relations with both India and Pakistan, hopes that the two countries will exert joint efforts to seek ways and means to peacefully settle their problems relating to each other.

Joint Lao-Thai Meeting Issues Press Release

BK2109031994 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 18 Sep 94

[Joint "news release" on the outcome of the fourth meeting of the Joint Lao-Thai Cooperation Commissions held in Bangkok from 15 to 17 September—issued in Bangkok on 17 September]

[Text] 1. From 15 to 17 September 1994, the Thai Government hosted the fourth meeting of the Joint Cooperation Commissions of Laos and Thailand at the Dusit Thani Hotel in Bangkok cochaired by His Excellency [H.E.] Squadron Leader Prasong Sunsiri, foreign minister of Thailand, for the Thai side; and H.E. Somsavat Lengsavat, the foreign affairs minister of Laos, for the Lao side.

2. At the meeting the two sides extensively consulted each other and exchanged views on various issues of mutual interest. They expressed overwhelming satisfaction with bilateral relations, which have grown in many concrete forms both in the governmental and private sectors—the most important of all being the official visit to the Lao People's Democratic Republic of Their Majesties the King and the Queen during 8 and 9 April 1994.

At the meeting, the two sides unanimously agreed to more strenuously strengthen cooperation between the two countries and peoples in various fields at the regional, national, and local levels.

3. The two sides consulted with each other on the creation of an atmosphere of neighborly friendship relations as well as on cooperation in the political, economic, social, cultural, and tourism fields.

Cooperation in the political field

(1) Regarding cooperation to maintain peace and security along the border areas, the meeting was pleased to learn that the operations of the general border peacekeeping cooperation committees of Laos and Thailand and of the border peace-keeping subcommissions have been successful. Cooperation between many provinces has been broadened, thereby bringing more peace and order to the border areas between the provinces concerned. The two sides agreed that regular meetings should be held between the provincial-level border peace-keeping subcommissions of the two sides. In addition, the meeting also agreed to a proposal made by the Thai side to hold meetings of the governors of all the provinces sharing common borders in the near future.

(2) In connection with the issue of Lao refugees in Thailand, the two sides reiterated their intention to cooperate with one another in implementing the seventh tripartite agreement reached by Laos, Thailand, and the UN High Commissioners for Refugees [UNHCR] in July 1994, under which all Lao refugees would be voluntarily repatriated to Laos by 1995.

(3) As for the issue of the Lao-Thai border lines, the meeting acknowledged that the technical subcommittees of the Joint Lao-Thai Border Committees have conducted five joint inspection surveys of the areas linking Boten District in Sayaboury Province and Chat Trakan District in Phitsanulok Province. The said subcommittees have been instructed to carry out their duties continuously to find ways to rapidly resolve the problem.

(4) The meeting unanimously agreed that to further increase the efficiency of the cooperation in the suppression and control of narcotic drugs, it is necessary that cooperation should be promoted between the various Lao and Thai services concerned in halting, preventing, and suppressing the drug trade along the border areas, especially at all border crossing points.

(5) Regarding cooperation on the issuance of visas, while there exists no agreement on visa exemption, official border passes will receive exemption in the same manner as diplomatic passports. Multiple visas will be issued for official border passes on a case-by-case basis upon request.

(6) The meeting asked the governments of the two sides to instruct the services concerned to hold consultations to urgently draft an agreement on the extradition of criminal suspects.

(7) The foreign ministries and the services concerned of the two sides will consult with one another to adopt

measures to provide protection and assistance to each other's citizens who are arrested and detained by the other side.

(8) The meeting agreed in principle to set up consular missions and general consulates on each other's territory by allowing each side to set up only one of them for the moment.

(9) The services concerned of both sides will consult with one another in solving the problems of smuggling and fraud against the citizens of each side when taking employment in each other's territory. This issue will be first discussed at consultative meetings between the provincial governors of the two sides.

(10) To facilitate smooth travel along the Lao-Thai border, the ministries of the interior and the services concerned of the two sides will hold consultations with each other to adopt appropriate measures to deal with the issue.

Cooperation in the economic field

(1) The meeting was pleased to see that cooperation in the development of energy has made smooth progress. The two sides have reached fundamental agreement on the sale and purchase prices of electricity to be generated by the Nam Theun-Hin Boun dam in Laos. The two sides are also currently consulting with each other on implementing many other electricity projects. The Lao side informed the Thai counterpart that it was capable of producing more than 1,500 megawatts of electric power and urged the Thai side to purchase more electricity from Laos. The Thai side said that it was pleased to consider the Lao side's proposal once it was able to utilize all the 1,500 megawatts of electricity generated by Laos. The Thai side pointed out that it is encouraging the private sector to play a greater role in investing in the electricity-generating enterprises with all available energy sources wherever possible. Therefore, prices will become a factor which must be taken into consideration by all production sources when determining the selling prices of electricity in the future.

(2) In connection with the opening of additional border crossing points, the Lao side acknowledged the proposal of the Thai side to improve the Ton Pheung border crossing point in Bokeo Province, which is located across the Chiang Saen border crossing point in Chiang Rai Province, to make it an international customs office with a view to promoting cooperation in the trade, transport and communications, and tourism sectors between the two countries and with other countries in this region.

(3) The meeting was pleased to see the progress of the implementation of the economic and technical cooperation project. As for the cooperation project in 1995, Thailand will give Laos sixty scholarships for undergraduate-level study, seventy training grants, and thirty grants for study tours as well as a quantity of education and public health equipment. The two sides will consider setting up long-term cooperation plans for the two countries.

(4) Cooperation on the joint trade and investment enterprises has noticeably increased. The two sides will cooperate with each other in solving and eliminating the negative factors obstructing joint trade and investment between the two countries. In addition, they also agreed to encourage the Thai Chamber of Commerce and the Lao Council of Trade and Industry to hold regular meetings and consultations.

(5) The meeting was pleased to witness the success in the cooperation between the Bank of Thailand and the Bank of the Lao People's Democratic Republic. They agreed to promote cooperation between the commercial banks of the two countries. Moreover, the Lao side expressed interest in the call of the Thai side to expand cooperation with it in providing services to facilitate its international business operations through the (IDS) Bank, the Export-Import Bank of Thailand, and various other financial services.

(6) The Lao side acknowledged the objectives of the Petroleum Authority of Thailand to open service stations in Laos by asking it to follow this matter with Laos' Investment Promotion Committee.

(7) The Thai side informed the Lao side that it is contemplating a reduction in taxes on Laos' agricultural products and finished wood products as proposed by the Lao side. The Thai side's consideration is expected to be finalized in the near future.

(8) The meeting reiterated its intention to allow free and fair competition in providing cross-border goods transport services over the Lao-Thai border and asked the ministries of communication of the two sides to consult with each other as soon as possible in selecting Lao and Thai companies to be granted permission to operate transit goods transport businesses. In addition, the two sides will jointly consider possible measures to facilitate the transport of Lao transit goods.

(9) The two sides were pleased to see that the friendship bridge has been opened for traffic and will continue consulting with each other on how to make the bridge more beneficial to tourism and trade.

(10) The Thai side agreed to give 35 million baht as aid to the Lao side for improving communication routes. The Lao side will inform the Thai side of the transport routes it wants to be improved by the Thai side with the said amount of funds.

(11) The meeting acknowledged that the Lao Government has given permission to conduct feasibility study on the building of a railway line between Vientiane and Nong Khai via the friendship bridge.

(12) The Lao side expressed interest in the Thai side's proposal to allow Laos to use the Laem Chabang deep sea port for promoting its international transport and trade enterprises.

(13) The two sides unanimously agreed to instruct the services concerned to urgently consult with one another in promoting cooperation in livestock raising.

(14) For the benefit of the promotion of trade and investment, the two sides will consult with each other in order to reach an agreement on the abolition of any double taxation and to promote cooperation among customs services by regularly holding meetings of Lao and Thai tax personnel stationed in the border regions and at the centers with a view to setting up cooperation in the suppression and technical fields and providing facilities to each other in processing taxation services for each other's goods.

Cooperation in the social, cultural, and tourism sectors

(1) The two sides were pleased to see that the cultural relations and exchanges between the Lao and Thai peoples have been further developed. Regard this development, the ministries and services concerned of both sides have mapped out plans to conduct cultural, artistic, and literary exchanges with one another in the years to come. Moreover, they were also pleased to learn that the tourism and sports organizations of the two countries have also stepped up cooperation with one another.

(2) The meeting acknowledged the outcome of the operations of the Laos-Thailand Friendship Association and the Thailand-Laos Friendship Association and pledged to give support to the two organizations to fulfill the projects agreed upon by them.

The meeting agreed with the Lao side's proposal to host the next meeting in September 1995.

The Lao delegation thanked the Thai Government for according it a warm welcome imbued with a sense of overwhelming friendship, thus reaffirming the close relations between the governments and peoples of the two countries.

Issued in Bangkok, 17 September 1994.

* Military Cooperation With SRV Hailed

94SE0209A Vientiane KONGTHAP PASASON LAO in Lao 13 Jul 94 p 2

[Article by Kh. Keoviset: "On the Occasion of Remembering the 17th Anniversary of the Signing of the Lao-Vietnam Treaty of Friendship"]

[Excerpt] [Passage omitted] At present the struggle in the area of ideology and theory is changing in a confusing fashion. With regard to this problem, the Political and Military Institute of the People's Army of Vietnam considered that the important basis for the training they provided was an unwavering belief in Marxist-Leninist theory and the ideology of Ho Chi Minh as well as a firm belief in the importance of the path to socialism and recognition that this was in agreement with the party's ideology regarding domestic politics and foreign policy. This training was aimed at improving confidence in the Communist Party of Vietnam with regard to its new duties and increasing its spirit of independence, mastery, and strength so that it could deal with every test and difficulty and lead the country to civilization in the future. The cadres are trained to recognize and resist revisionism and opportunism as well as the diseases of conservatism and inflexibility and so on.

Through the agreement for cooperation between the Defense Ministries of Laos and Vietnam, this institute has accepted more than 400 Lao students since 1978. This provides a shining symbol of the cooperative relationship that has had such a long tradition and is always in bloom.

When Comrade Cheun Souan Cheuang, the director of the Political and Military Institute, greeted Lt. Gen. Choummali Saignason, our minister of defense, on his visit to the institute during his official visit to the SRV, he said: "Our solidarity in battle, our special relationship, and the cooperation in all areas between Laos and Vietnam are a tradition and a strength which no power can break. This has been shown by our actions during the history of our revolutionary struggle against common enemies to achieve independence, unification, and socialism. Now these traditions have been improved and expanded so that they are effective with regard to the new changes in each country."

Philippines

Clinton Policy on Haiti Called 'Pure Hollywood'

BK2109111594 Manila THE MANILA CHRONICLE in English 20 Sep 94 p 4

[Editorial: "Clinton Gamble Pays Off"]

[Text] Former United States President George Bush scoffs at his successor's comparison of a prospective Haiti invasion with his own military interventions in Iraq and Panama. But whether he likes it or not, Bush must admit that Bill Clinton's gamble in Haiti has paid off.

Through a mix of diplomacy and bluster, dovish avowals of democracy and calculated beatings of the war drum, Clinton was able to pressure the Haitian military dictatorship into stepping down to pave the way for the re-installation of ousted President Jean-Bertrand Aristide.

But we share Mr. Bush's apprehensions over Mr. Clinton's attempts to draw parallelisms between the Panamanian and Iraqi adventures and the Haiti offensive because while the former were motivated by realpolitik—the need to project American power—the latter is nothing but an ego trip—the personal need of Mr. Clinton to project himself.

The projection, we must point out, is pure Hollywood (Mr. Clinton must have learned a trick or two from the writers, publicists, and special effects men of the AIDS conscious but promiscuous entertainment community where his most ardent supporters come from). The glossy images of warships and troops en route to the Caribbean are drawn from the emerging Hollywood tradition of theme park entertainment. Lt. Gen. Raoul Cedras actually buckled down under the pressure exerted by the frightening but contrived colors of war and death drawn from Disney, Spielberg, and Schwarzenegger.

But the huffing and puffing is nothing but disguised insecurity; the projection is meant to obscure Clinton's tattered image as an effective president, both at home and abroad. National Security Adviser Anthony Lake, speaking at the Council of Foreign Relations last week, said the invasion was needed to defend American credibility in foreign affairs. He might as well have said that the campaign was meant to save Mr. Clinton's credibility.

Mr. Clinton had chosen to make war on an internationally insignificant and incredibly backward country at America's backyard to rebuild his credibility. The utter one-sidedness of the fight had determined the outcome of the struggle from early on, but because of Mr. Clinton's incredible diplomatic lapses, the Haitian junta was able to hang on to power and worse, ridicule the United States and erode its invincibility.

Mr. Clinton had his way in the end of course. But the outcome was the result not of his skillful handling of the crisis but of factors not of his own making. For instance, he was able to silence domestic criticism of his policy because Congress, which had challenged Bush on the Iraq question in 1990, left it to him to declare war on Haiti.

Moreover, the 11th hour compromise that averted the invasion was the product of the patience and skill of former President Jimmy Carter in convincing Cedras and the junta to step down. As in his controversial meeting with the late North Korean leader Kim Il-song last June that eased the nuclear crisis on the Korean peninsula, Carter seems to have stuck to the general lineaments of the settlement while leaving a number of fine details to be worked out later on, perhaps by back-channel diplomacy. In any case, Mr. Carter got the junta's nod to give way to Aristide and has added another feather to his cap as America's best and most effective former president.

It is Mr. Carter's participation that somehow eases the bad taste that has been left in the mouth of those who see in the Haiti gambit as nothing but an attempt by Mr. Clinton to save his troubled presidency. At least with Mr. Carter, we know that the mission to save Haiti is a democratic enterprise, not a mere attempt by an extremely flawed leader to clutch at straws and save his neck.

Probe Into Abuse of Worker in Marianas Ordered

BK2109115194 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 0930 GMT 21 Sep 94

[Text] President Ramos today issued a directive to the Departments of Foreign Affairs, Labor and Employment, and Justice to investigate the reported rape and maltreatment of a Filipina in the [Northern] Marianas. The president issued the directive after a report on the widespread abuse of Filipinas and other migrant workers in the U.S. territory was revealed during a Senate committee hearing. The president instructed the three departments to assist the Filipina.

Ramos Urged To Fire Tokyo Embassy Officials

OW2109094294 Tokyo KYODO in English 0826 GMT 21 Sep 94

[Text] Manila, Sept. 21 KYODO—Fellow political party colleagues of President Fidel Ramos on Wednesday [21 September] urged him to sack two Philippine labor attaches in Japan who have been accused of corruption and exercising virtual police powers over Japanese bar and club owners.

Hector Villanueva, spokesman of the Administration Party Lakas NUCD-UMDP, said in a written statement that the two labor attaches should be recalled immediately to Manila to face formal investigation.

"Never before had the Philippine diplomatic office in Japan been put to such shame with the expose by the Japanese media about corruption and misdeeds by Philippine officials," Villanueva said. "This is one incident on which the president should act decisively," he said.

Japan's YOMIURI SHIMBUN newspaper earlier reported that the labor attaches have conducted raids on bars and clubs in Japan, and have harassed club owners and promoters into paying Filipina entertainers even for services unrendered. The paper said the labor attaches would invite or visit the club owners and promoters and ask them to pay Filipina entertainers for the whole duration of their contracts even if the entertainers did not finish the contracts. The labor attaches would then pocket a portion of the money paid to the entertainers through them, the paper said.

The labor officials have denied any wrongdoing, and Labor Secretary Nieves Confessor said the accusations were "malicious assumptions...engineered by certain groups which were hurt by our rules and regulations designed to protect our Filipino workers from the vultures in the recruitment industry."

Confessor also warned the Labor Department would impose a total ban on Filipino entertainers going to Japan if efforts to revamp the industry prove unsuccessful.

Abu Sayyaf Group Said To Indoctrinate Children

BK2109073294 Manila PHILIPPINE DAILY INQUIRER in English 18 Sep 94 p 9

[Text] The fundamentalist Muslim group Abu Sayyaf has penetrated several schools in Basilan, trying to spread their doctrines among children from 13 to 18. As a countermove, the 2,000 teachers in Basilan's school division are now teaching about 45,000 students on the role of the military in their communities. Many of the students are Muslims or belong to ethnic groups like the Yakans.

"We are working hard to teach students that military men are not enemies, that they are not out to remove Islam," Adzhar Sarahadil, Basilan school superintendent, told the INQUIRER.

Sarahadil said the Abu Sayyaf's propaganda line is that the Muslims can attain peace and progress in Mindanao only when it becomes an Islamic state; that the military is against Islam and the Abu Sayyaf is the "defender of the Islamic faith;" and, that lawmen are "intruders" who brought violence to Basilan.

Sarahadil said it seemed easy for Abu Sayyaf members to sway students to their cause because they only have to point out the poverty and neglect in the island. He noted that the Abu Sayyaf infiltration was most intense in Basilan's poorest municipalities, like Sumisip, Tipo-Tipo, and Tuburan. There are about 6,000 students in these places.

Sarahadil said, however, that students had become confused about the Abu Sayyaf's objectives, especially because of the kidnapping of teachers and religious leaders and the massacre of 15 hostages, many of them students, on 8 June this year.

"They are now in a dilemma," he said. "They were taught by the Abu Sayyaf to be strong in the Islamic faith, yet these same people are killing and kidnapping innocent civilians, which is against Islam."

Sarahadil asked the government to send in more professionals, like doctors, dentists, engineers, and agricultural technicians, to convince people that it is serious in helping them out.

Editorial Urges Modernization of Armed Forces

BK2109064294 Manila THE MANILA CHRONICLE in English 19 Sep 94 p 4

[Editorial: "Arming Our Armed Forces"]

[Text] While the president's last trip was billed as a diplomatic roadshow to foster better trade and business ties with the modern economies of Europe, it was also an occasion to scout for arms and defense equipment to better arm our armed forces.

The French government, for instance, has offered to waive cash payments to enable the AFP [Armed Forces of the Philippines] to acquire arms and military equipment under the Philippines' 10-year defense modernization program. Six major French defense companies—Dassault, Eurocopter, Giat, Matra, Snecma and Thomson—have signified their interest in upgrading the deterrence capability of our military.

The surprise of course is that the Philippines could hardly afford the sophisticated French arms and defense equipment. But as Defense Secretary Renato de Villa said, the French side indicated willingness "to be creative" and "offered to go 100 percent countertrade."

The French preferred to call the scheme "offset compensation." Under this set-up, the AFP will buy equipment from the French who in turn will put more money in the Philippines through counter-investments, counter-trade and transfer of technology. Among the items that French companies would like to barter arms for are coconut oil and other agricultural products, semiconductors, and finished goods.

De Villa said Manila is keen in buying an Iris light high-sea patrol boat from Thomson and 18 Mirage F-1 fighter jets from Dassault. The Iris jets are said to cost around $30 million and the Mirage jets, $12 million.

Thomson is also planning to form a joint venture with the state-run Vetronics to produce military communications equipment. The state-owned Giat has also offered to upgrade the Philippine Army's Vietnam war-vintage armored personnel carriers with new arms and turrets and increase the range of its 105mm Howitzers from 11.5 kilometers to 17.5 kilometers. Giat is also studying de Villa's offer for it to set up a facility to produce Famas assault rifles, the standard rifle of the French army, in the industrial zone in Subic Bay.

But we should not rely alone on French creativity to build up our armed forces, the weakest in the region. While our leaders advocate a reasonable defense build-up to match the armed forces of other countries, the fact is that there is hardly any determined move to make the advocacy a reality.

Our priorities remain askew. While Congress is poised to pass the AFP modernization bill, it has not allocated any funds for planned defense purchases next year. De Villa says that of the P [Philippine pesos] 23 billion proposed defense budget next year, P14 billion or 61 percent would go to the salaries and allowances of military personnel, P2 billion to war veterans, P1 billion to retired personnel and P6 billion to maintenance and operating costs. There is hardly any left for modernization.

The issue is clear. We should muster the political will to improve our armed forces.

Two Parties Merge for 1995 Senate Elections

BK2109120194 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 0930 GMT 21 Sep 94

[Text] The Nationalist People's Coalition [NPC] and People's Reform Party have agreed to join forces and present a united political opposition to the administration. The agreement was reached last night during a meeting between Eduardo Cojuangco, Miriam Defensor Santiago, Congressman Ronaldo Zamora, and Guilberto Duavit. Twenty-six NPC congressmen were also present during the meeting.

Senator Ernesto Maceda revealed the party's eight candidates for next year's senatorial polls. They are: Miriam Santiago, Senator Arturo Tolentino, Nikki Coseteng, Ramon Magsaysay Jr., Congressman Bongbong Marcos, Congressman Joker Arroyo, Revolutionary Nationalist Alliance leader Gregorio Honasan, and former Senator Ambrosio Padilla. Maceda said Vice President Joseph Estrada will support NPC.

Thailand

Dailies Comment on U.S. Action in Haiti

BK2109103594

[Editorial Report] Two Bangkok vernacular dailies—THAI RAT and MATICHON—on 21 September carry editorials commenting on the U.S. involvement in Haiti.

THAI RAT's 400-word editorial, on page 3, entitled "Haiti and Thailand's Position" notes that the tense situation which had loomed over Haiti for a long time suddenly disappeared when Lieutenant General Raoul Cedras agreed to step down and hand over power to President Jean-Bertrand Aristide before 15 October. The event also brought an end to the much publicized question of "whether or not Thailand should send troops to take part in the planned invasion of Haiti.

"Haiti is too far from Thailand for the Thai people to pay close attention to it. Unlike Thailand, the Unites States with its policy of policing the world must intervene in Haiti, its close neighbor, to stop human rights violations and restore peace and order. Such action also serves as a warning to all forms of dictatorship in Latin America, the Caribbean, and particularly Cuba.

"It is not inconceivable that a major power like the United States might invade Haiti, a small island nation with a defense force of less than 10,000. Although the United States cited the need to restore the democratic form of government, it will nonetheless be accused of bullying a weaker country. The option chosen to make the scenario more acceptable is making the invasion the work of the United Nations. For this reason, U.S. military representatives visited the region to persuade Japan, Thailand, and many other countries to participate in the military adventure. If Thai troops are sent to Haiti, they will be under U.S. command.

"Thailand is a UN member and its standing in this organization is fairly strong. Its representatives formerly served as chairman of the UN General Assembly and the UN Security Council. Thus, we must adhere to the UN resolution and formulate our policy regarding Haiti accordingly, while not allowing ourselves to be seen as succumbing to U.S. influence.

"We have long believed that we should avoid sending troops to participate in any invasion. Our troops will be exhausted if they are forced to travel all the way to Haiti. Normally, the United Nations employs troops from the region where the problem is to deal with the situation. However, we must be ready to comply with the UN resolution if they want us to send troops to join the peacekeeping force after the Haitian military dictatorial regime steps down. We believe that this is also Japan's position.

"The people of the world will appreciate Thailand's participation in the peacekeeping mission in Haiti."

MATICHON's 350-word editorial, on page 2, entitled "Haiti to Democracy" attributes favorable developments in Haiti to the good work of former U.S. President Jimmy Carter and cites strong opposition from the U.S. general public to the U.S. plan to send troops to force the military regime from power.

The editorial points out: "With the UN blessing, it is the responsibility of the U.S. President to bring about and implement democracy in Haiti. By so doing, both the United States and the United Nations must also take into consideration the feelings of the Haitians. Democracy is a type of culture each society must nurture by itself; it is not like a living cell which can divide and multiply. No genetic engineering technique can help the Haitians become democratic overnight like the people in the United States or United Kingdom."

Malaysian Official on al-Arqam Security Threat

BK2109050194 Bangkok BANGKOK POST in English 21 Sep 94 p 2

[Text] Malaysian Deputy Prime Minister Anwar Ibrahim says the al-Arqam sect is not a security issue in his country, while defending his government's crackdown on the group.

"Al-Arqam is a minor issue," Mr Anwar told a news conference at the end of a two-day visit to Bangkok. "I don't believe we'll be having to deal with this as a security issue."

Malaysian authorities banned the sect last month as "deviationist". The group's leader, Ashaari Muhammed, was deported from Thailand to Malaysia at Kuala Lumpur's request and, with a few close aides, was then detained indefinitely without trial under the country's Internal Security Act.

Mr Anwar said Prime Minister Chuan Likphai at their meeting on Monday expressed his concern and asked about the latest developments. The Malaysian deputy prime minister said he told Mr Chuan the situation was under control. Mr Anwar, who is also Malaysian finance minister, said he thanked Mr Chuan for Bangkok's cooperation in deporting members of the sect.

Thailand has come under criticism for handing over Ashaari and several followers early in September. Ashaari had lived in Thailand for six years in self-imposed exile.

Mr Anwar accused al-Arqam of abusing women in the sect and denying them basic human rights, as well as refusing secular education for their children.

"Does it mean that we are intolerant? We took the action because our women are treated as sex slaves, our children are denied education," he said. "Our position is this: Do we need to wait until another Koresh or (Jim) Jones appear to take some action, or do we deal with the situation now?"

He was referring to the Branch Davidian sect led by David Koresh, 80 members of which were killed in April 1993 in a shootout and fire at their religious base in Waco, Texas and Jim Jones, leader of the Jonestown, Guyana, settlement where 900 people committed mass suicide in 1978.

"It's specific, deviationist cult teachings that we're worried about and we have to take pre-emptive measures," Mr Anwar said.

The press conference came after a two-hour address by Mr Anwar on "Democracy and the Challenges to Civil Society", jointly organised by Chulalongkon University's Political Science Faculty and a newly-established Institute of Policy Research for Development chaired by former deputy prime minister Amnuai Wiravan.

Mr Anwar said democracy might be too cumbersome for orderly development and it might even be inimical to political stability, a pre-condition for rapid economic growth and social well-being.

"Democracy is about the only system which provides a channel for the expression of discontent and dissent. Properly instituted, democracy will ensure order and stability," he said. He said religion and spirituality ran deep in the Asian character and they had been a great source of strength to people and a bulwark against moral and social decay.

"However, the challenge before us is to cultivate moderation in religious life and to promote the inculcation of universal perspectives," he said.

* Suphachai Demands U.S. Grant GSP Rights

94SE0223D Bangkok NAEO NA in Thai 26 Jul 94 pp 13, 19

[Excerpt] [Passage omitted] Mr. Suphachai Phanitchaphak, the deputy prime minister, discussed the fact that the United States is now considering whether to restore GSP rights to Thailand. He said that actually Thailand had been asking the United States to restore GSP rights to Thailand from the time Thailand's name was removed from the priority foreign country watch list to the time of the GATT meeting at the end of last year. This is a right to which Thailand is entitled.

"But the United States has still not considered this, claiming that Thailand has still not passed a labor law," said Mr. Suphachai. He added that in asking that GSP rights be restored, Thailand has submitted a list of 16 items. It appears that our request will be granted for 12 of these items. This will greatly benefit Thai-U.S. trade. In particular, the volume of trade will increase. As for the other four items, the United States can't restore GSP rights for those items because exports of those items exceed the quotas set by the United States. In any event, it's good that rights will be restored to this extent, and this is appropriate.

"The United States must restore GSP rights to us, and this must be done very soon, because Thailand has not done anything to the United States. We are taking action on the problems that exist. The deliberations in parliament must proceed step by step. That can't be rushed. Once this matter has been considered by parliament in accord with the law, it will probably be approved by parliament," said Mr. Suphachai.

There are fears that if the United States restores GSP rights, the volume of Thai exports will increase and this will lead to a rise in inflation here. Mr. Suphachai said that the two issues must be kept separate. A growth in exports is good. The country needs that. If exports are healthy, that will have several results. For example, the price of agricultural goods will rise, and the transport system, such as ports, will be improved. Considering these things, this should not affect inflation. The rate of inflation depends more on production factors, such as oil, land, and labor costs.

"As for the fact that the Bank of Thailand is concerned that exports will affect inflation, I do not agree with them. Whenever exports fail to hit the targets, they criticize us. But when exports are good, they worry about this affecting inflation. What do they want me to do?!" asked Mr. Suphachai. He added that when people's incomes rise because of increased exports, the people will have greater purchasing power. That will stimulate production, and there will be more competition in production. In the past, inflation has been a problem because while incomes have been rising, production has been flat. As a result, inflation has risen. Thus, we can solve this problem by accelerating production to a suitable level.

"To keep inflation under control, steps should be taken to keep the economy from overheating. Steps should be taken to prevent land speculation. We should consider controlling oil prices and labor costs rather than worry about exports," said Mr. Suphachai.

* Suphachai Adviser Comments on APEC Role

94SE0223A Bangkok THAI RAT in Thai 26 Jul 94 p 7

[Excerpt] Mr. Tirana Phongmakhaphat, an adviser to Mr. Suphachai Phanitchaphak, the deputy prime minister, issued a statement after meeting with Mrs. Joan

Spero, the U.S. under secretary of state. He said that the United States has expressed concern about the role of the Asia Pacific Economic Cooperation (APEC). This group is in the process of splitting into two groups, with the United States and ASEAN being the activists. He said that the United States is overly concerned. ASEAN wants APEC to serve as a forum for discussion. It has no intention of turning this into a trade zone, because we already have GATT and AFTA. They also asked about freedom to engage in insurance activities, particularly concerning the Phaisan Insurance Company. Thailand responded by saying that things would have to be done in stages. [passage omitted]

* Uthai Views GSP, Alien Business Law Issues

94SE0223B Bangkok DAO SIAM in Thai 27 Jul 94 p 7

[Text] Mr. Uthai Phimchaichon, the minister of commerce, talked with reporters after meeting with Mrs. Joan Spero, the U.S. under secretary of state for economic, business, and agricultural affairs. He said that they discussed the labor law, which is now being considered by the House of Representatives. The House is considering amending the Revolutionary Council Order to allow state enterprise employees to establish labor unions.

They asked that this bill be submitted to parliament as soon as possible, because they haven't seen any action being taken on this. He pointed out that this bill has already been submitted to parliament and that it is already on the agenda. We have already asked that it be placed at the top of the agenda. At the special session of parliament to consider the budget, if there are no delays because of a no-confidence debate, parliament will probably consider this issue in a timely manner.

Mr. Uthai said that he thinks parliament will probably consider the labor issue in amending the Revolutionary Council Order at the beginning of the second session of parliament this year. The reason the United States has asked Thailand about this is that this concerns granting GSP rights. The United States has stipulated that workers must be protected in accord with international standards and that it would like to see Thailand make improvements.

Another issue about which the United States expressed great concern during today's talks was the Treaty of Amity between Thailand and the United States and the issue of amending Revolutionary Council Order 28, which has to do with foreigners conducting business in Thailand. They feel that if this is amended, this will have a negative effect on foreign investment in Thailand. This will generate insecurity. American businessmen, in particular, will become very alarmed.

The minister of commerce said that no final decision has been made on what changes to make. The United States is not the only group that has issued a protest. The Thai Chamber of Commerce, too, has expressed opposition. This will probably have to be reviewed. The matter will probably be resolved for the best. He said that he expressed his gratitude for the fact that the United States will reinstate GSP rights for certain Thai goods.

This matter is now being considered by the U.S. Congress. He said he hopes this matter can be considered as quickly as possible instead of taking 90 days as stipulated by U.S. law. Concerning this, U.S. officials have promised to urge Congress to take quick action. Also, the United States has asked that an exception be made in supporting certain agricultural goods, particularly certain types of rice, in accordance with the GATT agreement.

If possible, Thailand would like the United States to promise that it will not export subsidized rice to foreign rice markets that are regular markets of Thailand. U.S. officials promised that they would look into this. They had only a limited time to discuss things because the American officials also had to meet with the prime minister today. But from what he observed, he thinks that the United States is satisfied with the actions taken by the Ministry of Commerce. This is evident from the fact that the United States has removed Thailand's name from the priority foreign country watch list.

Editorial Sees Difficult Future for AFTA

BK2109045894 Bangkok BANGKOK POST in English 21 Sep 94 p 4

[Editorial: "Needless Backtracking Will Jeopardize Afta"]

[Text] The cynics will say it was inevitable. Two years into the programme for creating free trade in the region, ASEAN is now talking about how to withdraw products from the liberalisation process. Soon the ASEAN Free Trade Area (AFTA) will go the way of all the previous grand schemes for regional economic cooperation—bold statements of good intent clouded by lengthy lists of exceptions.

That is not necessarily the best way to look at the proposal for new rules to cover withdrawals, however. There are two interpretations.

It could be the foot-in-the door for the protectionist pressures that confront any liberalisation programme. Ultimately it could lead to the unraveling of all the good intentions. Or, it could be an essential safety valve that will allow the AFTA programme to continue.

For the time being the second view seems the most appropriate. Two issues make the drafting of new rules necessary at this stage. The first is the reality that there will always be pressures for certain sectors to receive special treatment. When those pressures are strong, the most practical way of dealing with them is to devise clear, unambiguous rules to allow for some special treatment.

The second is the way AFTA was agreed in outline first. Inevitably more and more details will have to be filled in over the years.

In fact, the AFTA agreements always had an emergency provision that would allow tariff and other barriers to be raised temporarily in order to protect an industry from tangible injury caused by a surge in imports. This matches the "safeguards" clause of the General Agreement on Tariffs and Trade.

What ASEAN is now considering is a provision similar to "unbinding" in GATT. This is when countries that have previously set ceilings on their tariff rates, subsequently want to raise the rates beyond those ceilings—in AFTA's case ultimately 0-5 percent.

They can do so, provided they negotiate with the trading partners that have the most interest in the products concerned. Some compensation would probably be required, either with money actually changing hands, or with special concessions in alternative products.

Unlike the emergency safeguards provisions, there would be no need to prove that anyone is being injured by imports under the new withdrawal rules. Officials from different countries have different interpretations on what might happen.

Thai officials talk about withdrawing existing items previously charged AFTA rates. A senior Malaysian official interviewed yesterday suggested that the measure would be used as temporary protection for mainly new industries that did not exist in the country withdrawing the product when AFTA came into being—for example, steel.

In AFTA, a number of options are possible. Withdrawing AFTA rates could simply mean putting the products concerned on a slower track for liberalisation—a measure that can only be used during the interim years when tariffs are still falling towards their final levels of 0 percent-5 percent—or putting them on temporary or permanent exclusion lists.

Ultimately the test will come when the rules are actually drafted and approved, and then when they are put into practice. If the rules state a short maximum period for withdrawal, and make negotiation and compensation obligatory, then the damage will not be too serious. If withdrawal is too easy, ASEAN's credibility will suffer a major dent.

Some of that credibility is being enhanced this week because of the agreement to speed up the AFTA programme. The withdrawal rules and the reluctance to bring agricultural products of any significance into AFTA could reverse the progress.

* Export-Import Bank Policy on Iraq Rice Sales

94SE0213B Bangkok THAI RAT in Thai 19 Jul 94 p 7

[Text] MR [royal title] Pridiyathon Thewakun, the managing director of the Export-Import Bankok, talked about granting credit in selling rice in order to export rice in accord with the government's policy. He said that the Commerce Ministry had asked the bank to negotiate with the Chaiphon Rice Company a standing guarantee for the company's rice sales to Iraq, because the United Nations has sequestered its assets and so it doesn't have any cash to pay for the rice. As a result of the talks, the Export-Import Bank demanded that the BIS Bank, which has Iraqi assets, confirm that it actually does have assets in excess of the value of the rice to be purchased from Thailand. And it was asked to confirm that it would hold back an amount of money equal to the value of the rice and pay Thailand immediately. The BIS, however, responded by saying that it could only confirm the assets but that it could not stipulate whether the money would be paid to Thailand immediately or if money would be set aside to pay Thailand. As a result, the Export-Import Bank was not able to extend credit, because the risk was too great. Thus, the sale of rice to Iraq has been postponed.

MR Pridiyathon said that the Export-Import Bank will be able to provide support in selling rice to other countries. At present, it is discussing the sale of rice to Iran and the Philippines. In the case of the Philippines, it is clear that the Export-Import Bank will not give credit for more than six months. As for Iran, it has been agreed that credit will be extended for 12-18 months.

* Paper Provides Details of Iran Trade Deal

94SE0222B Bangkok SIAM RAT in Thai 19 Jul 94 p 8

[Text] Mr. Uthai Phimchaichon, the minister of commerce, talked with reporters following his meeting with Mr. Gholam Reza Yusefi, the Iranian ambassador to Thailand. He told reporters that they had discussed the money that Iran owes for the purchase of rice from private Thai companies. Iran plans to pay the entire amount owed within the next three weeks. Iran owes money to two companies. That is, it purchased 10,000 tons of 100-percent Grade 2 rice at a price of $3.2 million from the Nakhon Luang Rice Trading Company and 30,000 tons of 100-percent Grade 2 rice from the Rung Ruang Rice Company. It has paid the principle but still owes the interest, which will be paid within three weeks.

Besides this, they also discussed the issue of Iran purchasing more rice. Iran has asked the Thai Export-Import Bank to provide support. As for the matter of counter-trade, in which Thailand would barter rice in exchange for Iranian oil, in order to establish bilateral trade relations, Mr. Uthai said that "we are now discussing the oil issue with the Petroleum Authority of Thailand to have it purchase oil from Iran. Iran is a major rice market. If we can trade with them, we will be able to sell several hundred thousand tons of rice. If the rice stays here, we will have to pay for storing it."

MR [royal title] Pridiyathon Thewakun, the managing director of the Export-Import Bank, told reporters that the Iranian ambassador to Thailand contacted the bank. The ambassador told the bank that Iran wants to buy rice from Thailand, but it does not have money to pay for the rice. Thus, it wants the bank to help. MR Pridiyathon said that he has no objections but that he wants to know more about this first. He suggested that the ambassador discuss this with the Ministry of Commerce. Officials need to know how much and what type of rice they want to buy and at what price. The bank can't extend credit or find sources of capital without having such data. And before it can provide support, it must look at the various conditions agreed on, including the likelihood that the money will be repaid on time.

As for the old rice debt, that debt was transferred from Bangkok Bank and the Nakhon Thon Bank to the Export-Import Bank in accord with a cabinet resolution. Half has been paid in U.S. dollars. There aren't any problems, because the Iranian Government has guaranteed this debt. This debt will not go bad.

* Board of Investment Official on SRV Ventures

94SE0223C Bangkok BAN MUANG in Thai 1 Aug 94 p 6

[Excerpts] Mr. Somphong Wanapha, the chief of the Investment Promotion Division, Office of the Board of Investment, talked about Thailand's economic situation and about business ventures in Indochina, the new choice of Thai investors. He told BAN MUANG's economic team that after looking at Thailand's economic situation, it is evident that during the period 1988-1990, Thailand's economy made great strides forward, and this was the talk of the world. This stems from the fact that Thai business was booming then. We have to have contact with the outside world. Anything that affects the outside world will undoubtedly affect the business world. Thus, businessmen must constantly monitor the movements and changes in the world in order to obtain data and information that concern our business activities. The data obtained, particularly business data, must be both correct and accurate, and it must be timely. Take data on the stock market, for example. If information is provided just 2-3 minutes late, that could affect the sale of shares worth millions of baht.

At a certain level, the economy has reached the saturation point. There are industries in which we cannot compete with the outside world. We have to move production bases to less developed countries. Thus, the policy of turning Indochina from a battlefield into a trading field is a starting point. Because of this, people in the private sector are now interested in these neighboring countries. Thai businessmen are playing a trade role in those three countries. We have to compete against several other countries that started investing there before we did. Even though Thailand is located near Indochina, this does not mean that we will always have a trade advantage. It may be because Thailand lacks foreign investment power and because the Thai Government has not given enough attention to investing abroad. [passage omitted]

The Board of Investment has provided help to Thai companies that have invested in Vietnam. But in the case of Thai industrial groups that carried on business activities in Vietnam, almost all of them have suffered losses. The Board of Investment has commissioned THE NATION to analyze the reasons for this and stipulate stratagems to systematically encourage Thai companies to invest in those countries. In investing there, the main thing is to make use of past experiences. Thus, investment must be long-term, and we must maintain long-term relations. It must also be remembered that investments must benefit both sides. [passage omitted]

* Reports of Lao Chemical Weapons Use Discounted

94SE0221C Bangkok SIAM RAT in Thai 26 Jul 94 p 3

[Excerpts] [Passage omitted] On 25 July, Lieutenant General Anuson Krutsanaserani, the director of the Information Office, Supreme Command, talked with reporters about the rumors that fighting has broken out in Laos and that chemical weapons are being used. The rumors state that chemicals have been blown into Thailand and that about 1,000 Thais in Chiang Kham District, Phayao Province, have been affected. He said that there is no truth whatsoever to these rumors. Those rumors are being spread by people who have bad intentions. Thai and Lao officials have investigated these rumors.

"It's worth noting that Thai-Lao relations at all levels are now very good. But certain people outside the country who have bad intentions as well as destructive agents along the Thai-Lao border are trying to destroy Thai-Lao relations." [passage omitted]

* Editorial Sees Merit in Support for Burma

94SE0221D Bangkok DAILY NEWS in Thai 28 Jul 94 p 7

[Excerpts] As host of the ASEAN foreign ministers conference, Thailand invited the foreign minister of Burma to attend the conference as an observer. As a result, some people criticized Thailand for supporting human rights violations, because Burma has a problem with this. The country that reacted the most to this was the United States. [passage omitted]

Thailand's decision to invite Burma to attend this conference as an observer shows that Thailand is following an independent foreign policy. Also, the other ASEAN countries agree that Burma should not be isolated. [passage omitted]

This is tantamount to opening the door so that Burma can step into the outside world and associate with other countries instead of closing the door and refusing to have any dealings with the outside world. Thus, the decision by Thailand and ASEAN should be beneficial to mankind. This policy must be followed through on if the targets are to be hit. It's thought that the political atmosphere in Burma will probably improve in the near future. What the international community does not want to see is an oppressive administration. Eventually, the human rights violations will stop.

Amid the calls for isolating Burma and the condemnations of the Burmese Government as an oppressor, some countries have been trying to make a profit in Burma. They have been using Burma's weaknesses to exploit Burma in every way possible. This has weakened Burma even more. Thus, friendly countries should find a way to enable Burma to stand shoulder to shoulder with them and move forward with them on an equal footing.

Editorial Urges Clear Indochina Policy

BK2109010694 Bangkok BANGKOK POST in English 19 Sep 94 p 4

[Editorial: "Changing Diplomacy in The New Indochina"]

[Text] New and Important Policy shifts are unerway over Cambodia and Vietnam. In the past such changes have often meant the possibility of direct threat to Thailand's territorial integrity and security. This time, they are far more subtle and require closer attention. Developments already in motion in our two eastern neighbours will in most cases affect our country more subtly than in the past. Diplomacy, economics and long-simmering disputes over human rights have replaced yesterday's wars. Thailand will play an important role in these changing times.

The US government, it now is clear, is on an irreversible road to establishment of full diplomatic relations with Hanoi. A senior State Department official who visited Vietnam last weekend said the two countries almost certainly will open "liaison offices" in each other's capital shortly. But the mission of Peter Tomsen, US deputy assistant secretary of state for East Asian and Pacific Affairs, clearly aimed higher than this modest goal. Foreign Minister Nguyen Manh Cam will visit Washington next month to confer with US congressmen.

The United States is clearly moving cautiously but steadily towards trading ambassadors, despite the continued opposition of Americans exercised over the long-standing dispute over missing US servicemen. The World Bank, long prevented by the United States from aid to Vietnam, has now switched to a generous policy. Gautam Kaji, the bank's regional vice president for East Asia and Pacific, has announced a loan of US $400 million to Hanoi to help upgrade Vietnam's energy, irrigation and banking systems.

Thailand has long welcomed the ever-closer diplomatic ties between Washington and Hanoi. It is clearly in our interest that Vietnam feels secure and abandons all thoughts of securing its borders through foreign military adventures. The invasion of Cambodia in 1978 caused great upheaval inside Vietnam and in our country as well. We can only applaud and encourage moves by the Hanoi leadership to renounce thoughts of use of Cambodia as some sort of buffer zone.

Cambodia presents a major challenge to our policy makers. The attempts by the United Nations to establish democracy at one fell swoop left that country in disarray. Promises to bring all parties into a free political system failed when the Khmer Rouge was left out. Pol Pot forces have returned to the countryside and once again pose a major security threat. A fragile coalition of pro-Hanoi and Sihanoukist politicians rules Cambodia, but often is seen to have little real power at the grass roots level. An anti-Thailand faction in Phnom Penh has caused serious disputes. King Norodom Sihanouk himself has now asked for the release of nine Thais curiously detained over a coup attempt .

The largest problem looming at the moment over Indochina is an international one. Many countries, among them the United States, are seriously considering providing arms to the Cambodian army. They have cited the Khmer Rouge presence and threat along with the obvious poverty of the Phnom Penh regime. Mr Tomsen himself, who visited Cambodia after travelling to Vietnam last week, indicated US arms will be shipped to Phnom Penh, although clearly not soon. Already, the US is providing "non-lethal" military aid. A better-armed Cambodian army on our frontier is a matter which our own officials must consider.

Cambodia faces serious human-rights charges on which Thailand's stand must be firm. The Khmer Rouge in particular, and members and agencies of the actual Cambodian regime, seem determined to kill or expel by fear and persecution all ethnic Vietnamese in that country. The real threats to these innocent civilians has even spurred Hanoi to make its first serious human rights protest even. Vietnam's diplomats have charged that a new Phnom Penh law ostensibly aiming at all "illegal immigrants" is a serious threat against Vietnamese residents. UN Secretary-General Butrus Butrus-Ghali and several human rights groups agree, and have called on Phnom Penh to reconsider the law.

Thailand should stand firmly on the correct side in such human rights problems—and there are many. Press freedom in Cambodia is guaranteed by the UN-brokered international agreement and later elections. In fact, thugs who give the impression they have government approval have harassed, threatened and killed editors and reporters they judge as threats to that government. Last Wednesday, editor Non Chan of SAMLENG YUVEAKCHON KHMER (VOICE OF KHMER YOUTH) was gunned down by a six-man gang riding three motorcycles. The chief Phnom Penh response has been to criticise a human rights organisation, the Khmer Institute of Democracy (KID), for allegedly suggesting the government may have approved of the murder.

Our Indochina policy has been generally enlightened, worldly and—most importantly—in Thailand's best interests. Clearly, there are areas which must be improved, starting with a clear statement of Thailand's stand on the Khmer Rouge. This clearly remains a source of confusion to some foreign countries. Our diplomats and spokesmen must endeavour to make clear Thailand does not support the Pol Pot group—or any other in a country searching for national reconciliation.

* Chamlong Discusses PDP Future, Problems

94SE0212A Bangkok SIAM RAT SAPDA WICHAN in Thai 17-23 Jul 94 pp 6-9

[Interview with PDP founder Major General Chamlong Simuang by Thiphaphon Bun-am and Phumin Phongkraikitti on 7 July; place not given]

[Excerpts] [Passage omitted] [Thiphaphon/Phumin] There have been reports that you may again become leader of the Phalang Tham Party [PDP]. But some members of the party have said that the party can survive without you.

[Chamlong] It's up to them. It depends on what they think. There will always be some who like you and some who hate you. There is no one in the world who is loved by all. Even the Buddha had more detractors than me, and I am just an ordinary person. It's natural that some will hate me.

If you listen to them, that's your business. If people listen to them, they have to decide whether to believe them. If they do, fine. If they don't, fine. There is no reason for me to sit and worry about what I should do.

[Thiphaphon/Phumin] What are the chances that you will become party leader again? Have you set any conditions?

[Chamlong] No, it's up to them. They have not stipulated a time for holding an election. There must be an election. It's not that I want to become party leader again. Not at all. It just depends on if that is necessary. I was the leader of the joint force group for two years and of the party for almost four years for a total of six years. That was long enough. It was time for someone else else to take over. But not long after I was replaced, problems arose. Some feel that I should take over again and solve the problems. I have done so. That's all there is to it.

[Thiphaphon/Phumin] Some party members have said that to make the party more universal, it should not cling to....

[Chamlong] Contrary to what you think, I am not a party member. Many party members continue to cling to the old forms. The person selected to serve as party leader must do so until he is no longer wanted, until he is old and can no longer do the job, until the situation forces him out. But that was not the case with me. I left and did not participate further. At that time, the party was becoming very well known.

[Thiphaphon/Phumin] In considering whether to become party leader again, is there anything that is inducing you to do so?

[Chamlong] No. But now that splits have developed, some people feel that I should return. But I have said that when that day arrives, if there is someone who is more suited for the position, they should appoint that person. It doesn't have to be me all the time. On the day of the election, if there is one.

It has never been my intention to become party leader again. I have never had any desire to return and take control of the party again and not allow anyone to seize control from me. As I have said many times, I would like to see people take turns serving as party leader so that the party becomes a perfect political party.

[Thiphaphon/Phumin] Some people think that in the next election, the PDP will become a smaller party, because some people will split away.

[Chamlong] That's unimportant. I have always said that the PDP was not established in order to smash giants or become a large party. But if many of our members are elected, we can do much to benefit the party. But if only a few are elected, we will continue to maintain the ideas and qualities of the party. We will maintain our community awareness. If only a few of our members are elected, that doesn't matter. We have been aware of this from the very beginning. I said what the election formula was, and the people can't change that. There is no way that the PDP can become a new party.

I would like to say a little more about this formula. The formula is the same regardless of whether the election is in Bangkok or the provinces. This election formula is derived from the things that we have had to confront in Bangkok and the provinces. That is, because of economic forces, poor people do not vote for their favorite candidates. They may may love us, but on election day, they have to vote against us. After that, they support us again. As for the middle class, however, nothing can force them to change their minds. But they usually don't bother to vote. They vote only when something special happens. Only if something arouses them will they vote. If large numbers of these people vote, if the silent force votes in large numbers, we will win election to parliament. In zones where few members of the silent force vote, we will lose. This is common.

In view of this, the PDP has not changed at all. It won't change. That is, we will not buy votes or distribute gifts in exchange for people's votes. Thus, there is no way for us to become a large party.

Just wait. Members of your generation or people even younger may join the party and strengthen it. Society as a whole is ready to support the Phalang Tham Party. We will have to wait for that day to come. But to date, we are the party with the largest number of MPs who have been elected directly by the people. This includes members of

Parliament, members of municipal councils, and members of provincial councils who ran in the name of the party. And it includes members of the Bangkok Council and members of zone councils. We have made more progress than we expected.

[Thiphaphon/Phumin] After the 1995 budget debate, will the PDP remain in the government coalition?

[Chamlong] We plan to. Some people think that we plan to withdraw. But we did not join just to withdraw later. Every time a meeting is held, the subject of withdrawing is raised. Those who do not want political change criticize us.

[Thiphaphon/Phumin] You said that that was the party's plan. But the PDP disagrees with other members of the government coalition on certain issues.

[Chamlong] But was what I said yesterday (6 July, on the traffic problem) the truth? We talked with the party members who are serving as ministers. We discussed major issues, such as using the profits from the 7.1 million telephones. The profits are huge for just one or two ministers. It probably won't be possible to apply pressure. There will be opposition and conflicts. That was a chance to talk to MP's. They won't listen. They are probably reading. But who else could we talk to? Regardless of whether we speak out or not, people will criticize us. We decided to speak out only on important issues, such as revising the constitution. I was the first person to raise this issue in parliament. And I discussed all aspects of this problem (the traffic problem). The government plans to spend 600 billion baht. But where are they going to get that much money? That's just a dream. As I told them, it will take 60 years to accumulate the 9,041 million baht needed to build an electric train to solve the traffic problem. By then the economy will have collapsed.

[Thiphaphon/Phumin] In the past, your idea was to have a mass company. But that didn't work.

[Chamlong] No one opposed that, saying that that would not work. Everyone agreed with that idea. But the fact that that was not done is of no importance. The duty of an MP is not to implement things but to propose ideas and debate things. Right? But we have to talk about things that are actually possible. We shouldn't talk about things that are impossible. That just makes others happy. That is useless. In raising that issue, I was doing my duty. I did not say one thing against the government. I spoke from the standpoint of a member of the government coalition. It's difficult to say anything. If I were a member of the opposition, I wouldn't have to be so careful.

[Thiphaphon/Phumin] Based on your attitude, it seems that you have mellowed as compared with before. That is, you seem more willing to compromise with others in the government coalition.

[Chamlong] No, I have not changed even though you think I have mellowed. When I spoke out on the gubernatorial election, people said I couldn't say anything. I asked them, in a democratic system, what prohibits me from speaking out? And so I spoke out. I did not do anything wrong. There is nothing that says that once you become a member of the government coalition, you can't speak out about gubernatorial elections in the provinces.

I have not grown weaker. I am still the same. If I had mellowed, I would not have said anything yesterday.

[Thiphaphon/Phumin] In the wake of the political events of the past two months, people are asking, What is the real political position of the PDP?

[Chamlong] We stand on the side of the people. Is there any other party that is doing that? You have to ask that question, too. You can't simply ask if the PDP is sitting by idly.

The PDP is doing its utmost. That is not true of other parties. Other parties have not been criticized, but the PDP has been. Even though it will be difficult to maintain this position, we will continue to do so and will not withdraw.

[Thiphaphon/Phumin] Let's return to the issue of submitting that motion. Do you remember that things were not done in the proper sequence? Initially, you said that the motion could be submitted, but later on, you said that the matter could be postponed.

[Chamlong] That motion was a motion of the executive committee. At a meeting, we said that this should be submitted. That was on Tuesday evening. But on Wednesday, senior members of the coalition said that we should not submit the motion. Some said that that was a motion of the executive committee and so it couldn't be changed and that there was nothing wrong with that. Everyone agreed that this should be submitted. People felt that because that was the party's position yesterday, it should be the party's position today. They felt that we had to submit that motion. How could we do otherwise? But we did not oppose the motion of the coalition parties.

This is the standpoint of the PDP. We stand on the side of the people. We are doing our utmost. But the PDP has only 46 votes out of a total of 360. The people can't expect the PDP to do everything, because we are not the core. If we were, we would have taken action by now.

[Thiphaphon/Phumin] This has tarnished the image of this party.

[Chamlong] But that is a matter of an incorrect image. The question is, Is the image wrong or are we wrong? We have always answered your questions. We spoke out the very first day. We did not try to add something after the fact.

We have not budged. We can't shift. Why? I have already told you what would happen. When we submitted that, there were no problems. And even though there weren't any problems, other parties did not submit anything.

Thus, you have to be fair to the PDP. The PDP has been doing its utmost, but other parties haven't. But it is the PDP that has been criticized. Other parties have been sitting by idly and haven't had to do anything. [passage omitted]

[Thiphaphon/Phumin] What can be done to reduce the weaknesses or splits within the party?

[Chamlong] Steps are being taken. There are several ways. For example, steps can be taken to foster better mutual understanding and promote greater dialogue. Meetings can be held. Actually, this stems from people talking outside the meetings. They criticize each other much more strongly then.

[Thiphaphon/Phumin] Would you like to be appointed minister?

[Chamlong] Let's not talk about that. I have never thought about that. Why? Because as I have said, unless that is really necessary, I am not interested.

[Thiphaphon/Phumin] If you were a minister, you might be able to solve more problems.

[Chamlong] You can solve problems only if you are the core. I have suggested many ideas. No one has opposed those ideas, but nothing has been done.

What political party has submitted ideas on solving the problems? The PDP has frequently made suggestions, because our party thinks about things and is trying to solve the country's problems. We have focused on the important issues.

[Thiphaphon/Phumin] What about the matter of a school to promote ideals?

[Chamlong] The important thing is to build good people who will take responsibility for the country.

[Thiphaphon/Phumin] What steps have been taken?

[Chamlong] Nothing yet. I am now engaged in agricultural activities. This is the main component of the school. We sell vegetables—chemical-free vegetables from Kanchanaburi. We are looking for a way to open a store near the Marketing Organization for Farmers so that we can sell the vegetables to help increase the incomes of the farmers and provide people with chemical-free food. We do not use any chemicals in growing the vegetables. That includes chemical fertilizers, pesticides, and herbicides. If we are successful, other farmers may join us.

[Thiphaphon/Phumin] Looking at things in terms of stages, some success has already been achieved.

[Chamlong] We must have agricultural plots and farming families living there. We are making an effort. Rice, vegetables, and fruit trees have been planted. Sometimes I help them sell the vegetables. I am a vegetable dealer, too. But I don't earn a profit. Whatever I make, I give it to them. Sometimes I even give them a higher price and lose money. I do that to boost their morale. I do that in the name of the foundation.

What we are doing is part of the school that we plan to build. Regarding that school, several families will live together. There will be a central piece of land that will be used to benefit the community. That will be a school to build ideals. It will not be an academic school. No academic subjects will be taught. Rather, we will focus on promoting ideals in order to help the country. Politics will not enter into this at all.

The agricultural families here came as families and as single people. The Chamlong Simuang Foundation was established quietly several years ago. It's goal is to get people to focus on this. Both agriculture and farmers will survive. They can serve as examples for other farmers who are concerned about the country's problems. The country can't survive if the farmers are in dire straits. People with money and equipment are welcome to join us. We provide help. During the first four months, we take care of everything. We provide everything necessary for daily life. During the second four months, we provide just rice and dried food. After that, people must pay for everything themselves. If farmers can survive, that will be beneficial in two ways.

Later on, we will build a school. The curriculum will focus on developing the quality of life and leadership. There will be two programs. There will be classroom instruction and activities outside the classroom to give people a chance to work together. They will learn to be patient with each other and to be diligent. Instead of doing something else, they will learn about the problems of the farmers and and the environment. And they will help them. They will work together and learn to be patient with each other. They will participate in harvesting, digging, and transporting things. That central area will provide food for the next generation.

The fields at Nong Pru have already produced yields. This includes fast-growing fruit trees such as papaya and bananas, vegetables, and mung beans. As I said yesterday, I have been interested in this problem for a long time. I became very interested in this when I was governor.

[Thiphaphon/Phumin] Where did you get this idea?

[Chamlong] Actually, the Department of Agriculture has been interested in this since 1986. But the government did not provide support. We are still doing very little. When I was governor, I helped explain things and carried on public relations activities among the farmers who were practicing natural farming in the provinces, such as in Roi Et Province. Later on, such fields were called "Chamlong" fields. This has become quite well known in Roi Et.

* Science, Technology Ministry Budget Cut

94SE0213A Bangkok MATICHON in Thai 20 Jul 94 p 12

[Text] On 19 July, Mr. Phisan Mulasatsathon, the minister of science, technology, and environment, talked about the fact that the subcommittee has proposed cutting the research budget by 172 million baht. He said that they must have a reason for cutting the budget. They can't do this simply at random. This will affect the research projects of the ministry and the policy of the government, which wants to encourage and develop scientific researchers.

Dr. Pricha Musikun, the deputy minister of science and technology, said that the budget for research has been greatly affected by the budget deliberations. There are many units involved in research activities. This includes the Office of the National Research Council, the National Science and Technology Development Office, the Research Promotion Office, the Office of Atomic Energy for Peace, and the Department of Science Service. All of these are involved in different types of research. For 1995, the ministry requested 2 billion baht for research, but that has been reduced to just 800 million baht. If the budget is cut even more, that will affect programs now underway. In particular, 800 million baht was requested for the programs of the National Science and Technology Development Office and the provincial environmental projects that are being carried on in 62 provinces, but this has been cut to only 500 million baht. No budget funds have been allotted for the program to stop the brain drain. This is the case even though all of these programs were approved by the cabinet.

Dr. Pricha said that even though scientific and technical research does not affect the daily survival of the villagers, this is an important foundation to enable the villagers to rely on themselves in earning a living. If the research budget is cut, he will propose amending the motion.

Mr. Yongyut Yutthawong, the director of the National Science and Technology Development Office, said that people mistakenly think that Thailand has a large research budget. Actually, only 0.2 percent of the national income has been allotted for this. Research in Thailand can be compared to an infant who is learning to crawl. We need more researchers. A lack of financial support will have a direct effect on economic and social development.

Mr. Yongyut said that the National Science and Technology Development Office requested a budget of more than 1 billion baht. But that was cut to just 500 million baht. And only 250 million of this is for research.

That same day, Mr. Wasit Phayakkhabut and Mr. Amnat Chanawong, spokesmen for the subcommittee responsible for drafting the 1995 Budget Act, said that the Commerce Ministry's budget of 2,956,420,000 baht will be cut by 8,773,100 baht, leaving it with a budget of 2,951,396,900 baht. The budget of the Ministry of Science and Technology has been cut, too. The budget of the Office of the under secretary of science and technology has been cut by 26,480,000 baht. That money was to be used to build various buildings. Another 18,650,000 baht that was to be used to build a science museum has been cut. And 7,830,000 baht earmarked for building a research and science and technology development park has been cut.

Vietnam

Results of Joint MIA Search 'Very Encouraging'

BK2109104394 Hanoi Voice of Vietnam in English 1000 GMT 21 Sep 94

[Text] Despite harsh weather and tough rain, United States and Vietnamese experts dug up human remains believed to be of U.S servicemen missing since the Vietnam War on the latest field search. Some of the searches over the past month were conducted in deep jungle. Remains believed to be of Americans will be sent to military laboratories in Hawaii on 4 October for more tests in the hope of establishing identity. Vietnamese officials said cooperation between the two sides was very good for the latest joint search, the 31st in a series, and the results were very encouraging.

U.S. officials stated earlier one set of remains unearthed in central Vietnam was believed to be the first of 84 special remaining cases on the list handed to Vietnam last year, about which Washington believed Hanoi should have more leads.

Commentary Assesses Haitian Peace Prospects

BK2109142294 Hanoi Voice of Vietnam in English 1000 GMT 21 Sep 94

[Station commentary]

[Text] The crisis in Haiti has been solved. However, public world opinion remarks that complicated issues still remain from the island. Following is our radio comment on the situation in Haiti:

At 0930 local time of 9 September, the U.S. troops landed in Haiti without being attacked. Dozens of American armed helicopters landed in the Port-au-Prince international airport. U.S. troops occupied the airport, gained control of the Port-au-Prince port and other positions around the port.

The same day, General Sheldon discussed with Gen. Raoul Cedras, leader of the military force in Haiti the deployment of 15,000 troops, most of them Americans. The atmosphere of the war would prevail in Port-au-Prince of Haiti. Local people were very much worried about the military intervention. They fled the capital for rural areas concentrating in border areas with the Republic of Dominican.

Facing diplomatic isolation and the threat of U.S. troops, the Haitian dictators had to seek for negotiations with the U.S. mission headed by former President Jimmy Carter. After 16 hours of serious discussion, the seven-point agreement to resolve the crisis was signed. Under the agreement, Haitian dictators have to leave quickly right after the adoption of the general amnesty by the Haitian Parliament. Gen. Raoul Cedras and the powerful officials and commanders of the Haitian armed forces have to step down. The U.S. military mission will coordinate with the Haitian military commander-in-chief and the UN will lift the embargo and elections for a new parliament will be held.

With the acceptance for the resignation of the Haitian dictators, the crisis on the island has been resolved. Nevertheless, the situation in Haiti remains very tense and complicated. Threat of a new crisis has been hanging in Port-au-Prince. It is reported that Gen. Cedras resigned to protest against the signing of the agreement, and now armed forces in Haiti were very annoyed with the occupation of 15,000 foreign and American troops on the island. The transfer of power will be taking place one month after the signing of the agreement. And within one month, the present Haitian dictators could possibly cause further tragedies. Even the overthrown president, Mr. Aristide, also expressed his concern over this issue. The new Haitian army and police will be made, which consists mainly the majority of the troops of the present army, so it is impossible to say that the peace process in Haiti can be achieved easily.

At present, public opinions hope that the UN should lift up its embargo on Haiti and international community should urgently grant humanitarian aid to save the lives of the Haitian people, the victims of the crisis on the island.

National Assembly To Be Held Last Week of Oct

BK2109121594 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 18 Sep 94

[Text] National Assembly deputies representing Hanoi met on the afternoon of 17 September to discuss their planned preparations for contributions to the Ninth National Assembly's sixth session which is scheduled for the final week of October. The deputies discussed the timing, working procedures, and contents of their meetings to be held with the municipal voters in various precincts and districts.

In the week preceding the opening of the National Assembly session, Hanoi National Assembly deputies will meet voters to brief them on the national socioeconomic, security, and defense situation in 1994, and on orientations for socioeconomic development for 1995 so voters can contribute their views on the session.

Vu Oanh Writes on Dangers of Western Influence

BK2109012794 Hanoi NHAN DAN in Vietnamese 9 Sep 94 p 3

[Article by Vu Oanh, member of the Political Bureau: "Quality of Life and the Heavy Responsibility of Mass Mobilization Work"]

[Text] The party Central Committee seventh plenum resolution on carrying out industrial and technological development with the aim of achieving national industrialization and modernization and building the working class in the new stage stresses that "it is necessary to regard the development of human resources as an essential factor for rapid and lasting development; encourage the entire people to be frugal for the sake of national construction and defense; link economic growth with the improvement of people's lives; carry out cultural and educational development; achieve social progress and social justice; and protect the environment." It is also necessary to fully understand the guidelines on cultural exchanges and on the combination between world development and national color.

A complete understanding of the above-mentioned points has raised a pressing problem for mass mobilization work, namely expounding the concept of quality of life and turning it into a motive force to promote social development in the new stage.

The creative power of mankind has reached a marvelous level of development thanks to the steady accumulation of many generations. Human beings have discovered more and more potential for themselves and for nature, thus becoming the object of their own labor. More and more world knowledge and a greater outlook on life have been gained. Less and less attention is being paid to the notion of space, whereas a greater sense of value and urgency has been given to the notion of time. Whether or not humanity can use the great strength they have gained to effect a new era of civilization and happiness in society or invite disaster upon themselves depends on their success or failure in correctly using great cultural, scientific, technological, and educational achievements to promote development. This constitutes the key burning issue of today.

Culture is a human product and also an instrument to perfect mankind and life in terms of living standards, lifestyles, and quality of life. The existence of a materially rich living standard that goes hand in hand with a lifestyle built upon base instincts will destroy the quality and happiness of life. Lifestyle is a mirror of life because it manifests the level of material and spiritual civilization, cultural values, and social standards. This system of values is established and implemented by the people and, together with rules and regulations, forms law and discipline to secure a peaceful life.

Because quality of life has a direct impact on the joy, sorrow, happiness, or misfortune of human beings, it bears a deep cultural aspect and ample mass character.

As working class-oriented and politically motivated cultural activities prosper, the correctness, beauty, and usefulness of quality of life have been felt more and more strongly with each passing day. Economic growth is in harmony with progress, stability, social justice, environmental protection, and human resource development.

Fierce upheavals are occurring worldwide and the people are continuously staging a struggle for peace, democracy, and social progress. Efforts are made to use culture and modern science and technology to promote lasting development. Some countries have made dynamic progress and achieved effective results while others have sustained setbacks. Using a cool head, we are analyzing and screening those developments to turn them into our own wisdom and valuable experiences step by step.

In summary, thanks to the strength accumulated through an age-old culture, the selective acquisition of the quintessence of mankind's culture and civilization, the great creativeness and determination of our people to overcome dangers, and the party's leadership skills, we have succeeded in improving the quality of life for the sake of national independence, civic rights, freedom, and people's welfare and happiness, socialist ideals that are imbued with noble and humane concepts, and peace and social progress in the world.

Revolution and renovation are great cultural movements that involve liberation, creativity, development, humanity, and happiness. This mainstay of public motivation is compatible with the patterned qualities of our social life.

To carry out national modernization and industrialization in accordance with the party platform and to deploy the party Central Committee's seventh plenum resolution, we must be aware of the progressive and civilized aspects as well as the constraints of the cultures of various countries, particularly of those countries which are our partners in achieving development cooperation. The following are some striking points:

Technological progress can never keep up with social progress and the requirements for maintaining ecological and human safety because there is a tendency to seek profits and power, to fall into decadence, and to cause environmental damage.

Many manufactured products are found to promote wasteful and extravagant habits, and harmful cultural works are flooding our country and the world.

As for technological science—involving both the aspects of production and managerial organization—although the results in terms of output and income from technological science are obvious, there still exists a failure to ensure employment security, occupational safety, personality, and human dignity. Mankind should depend on technological science and there is no question of technological science having to adjust itself to serve mankind. Economic growth has become unstable because technological science has drained natural resources from the globe without protecting them, economizing on their use, or recreating them.

Radioactive pollution and sea pollution are now very grave. The carpet of vegetation that serves as a lung for the earth has been devastated by industrialization with the damage caused to vegetation over the past two centuries being as great as all past centuries combined. As there are only seven out of 13 million square kilometers of vegetation remaining on earth, the natural air purification system for smoke discharged from industries has become overloaded and the hydrogen that contains solar radiation has created a greenhouse effect. This has caused an increasingly warmer globe and much fiercer natural calamities. Just as Karl Marx warned: A self-developed and unoriented civilization will leave behind a trail of devastation.

Extremist concepts about individual freedom have led to a situation in which communal freedom and social security and safety are trampled upon; have given rise to hedonism and a tendency to indulge in material pleasures; and have caused cultural and moral dereliction. Mankind is facing the danger of going from decadence to bestial desire. This is evidenced by the many incidents of sexual offenses, divorces, acts of violence, human trafficking, the sale of human organs, and the test-tube creation of human beings in an anti-cultural fashion. AIDS and the Mafia are haunting the world. Mankind is facing new disasters and running the risk of having its whole civilization driven into extinction as was already proven by history.

These drawbacks of the Western economy and society have caused many Western scholars to turn to Oriental culture as a recourse for development.

It is necessary to guard against and avert these anti-cultural trends which are encroaching upon Vietnam's culture (a culture already recognized as one of the world's 38 civilization centers), and which are disturbing our society and slowing down our national growth.

We must return to our roots and national characteristics and treasure our culture in the process of national development. Ho Chi Minh thought, the quintessence of our national, oriental, and world culture and the essence of Marxism-Leninism, must be thoroughly comprehended more than ever to outline our national path and steps and to establish our cultural values, social standards, and practical directions for a quality life.

Special attention given to co-existence with nature and the compromise of culture with national development is our treasure that led to the strength of many Vietnamese dynasties, for example the triple victories over the Mongol troops by the Tran Dynasty.

Uncle Ho paid particular attention to plant cultivation and human education. He believed that culture has a miracle strength. This was manifested in his Declaration of Independence and confirmed in his national policy to win the people's hearts, create a great force of the national unity bloc, and seek support from the world public. This led to great victories over two giant imperialists and the burial of colonialism and neocolonialism, thus ushering in a new era for our nation, setting an example for and encouraging national liberation movements, and accelerating social progress and human civilization.

Cultural harmony and combination is the accumulation of various political and national values from our culture and from the world culture for human benefit. We must compromise for development rather than eradicating and boycotting different cultures. This is a skillful application of the revolutionary concept of social classes and nationalities.

In our national effort to overcome poverty and hardship, we need to clearly realize new areas in life. In assessing cultural values and social standards we must correct our assessments, suggest ways to improve our cultural values and social standards, and consider the construction of better cultural values and social standards as our main purpose:

—We must study and treasure suggestions offered by elderly revolutionary comrades, war veterans, intellectuals, and skilled workers and peasants who have rendered good service to the nation and who are paying great attention to our national cause. The full development of men, from personal characteristics to creative labor and from individual ability to personal opinion, should be given appropriate attention. This is the individual culture, which is different from selfish individualism.

—We must pay attention to the development of fine traditional values and new values. We must also overcome incorrect and extreme manifestations in preserving and developing microcultures such as family cultures, village cultures, community cultures, etc. The movements to look after parents in Thanh Hoa Province and other localities have led to the tradition of respecting senior citizens, teachers, and patriotic citizens. Family culture and education such as family study, family education, family customs, family discipline, and family rule have been adopted in many places in order to achieve the motto: Family kind-heartedness leads to national generosity.

Such activities as worshiping ancestors, compiling family archives, embellishing pagodas and temples, welcoming the tutelary gods of villages, restoring betrothal ceremonies, redecorating the graves of forefathers, and organizing burial ceremonies in the countryside, and so forth have created various negative phenomena, caused wasteful spending, and encouraged the commercialization of religions. On the other hand, these activities have manifested the people's latent desires and beliefs by connecting the past with the present and the future to make further, firm development. Efforts to worship the soul and stress gratitude to the virtues of our ancestors are in close association with the aspiration to attain a happy life. This will lead to the concept of protecting and developing the reputation and dignity of families, clans, and villages; and will also help protect and develop inherited occupations and the intelligence and fondness for learning, which are characteristic of our race inherited from our ancestors. Inner feelings and religious beliefs have a very close relationship with human values in daily life.

The movement to promote lullabies—singing for babies accompanied by the melodious sounds of a monochord guitar—and the beauty of folk art and cultural performances can help us get rid of the noisy electronic music and the ludicrous, inappropriate cultural activities that are damaging the feelings of mankind.

The movement to promote the VAC program [gardening, fish rearing, and hog raising], improve the environment, encourage interior decoration, fashion shows, and so forth will teach us how to appreciate subtle beauty, to lead a refined life; and to admire the attractiveness of mankind, scenic spots, the nation, and the musical Vietnamese language, thus enhancing our love for the fatherland. The fact that the Vietnamese language is still used at college education level while many developing countries have to use foreign languages is a point of pride for our nation, because it is a musical language that can be developed and increased lexically in speech and writing with every passing day.

We must strive to carry out administrative reform in depth, improve cultural management work, and oppose bureaucratism, inconveniences, coercion, and corruption while implementing Uncle Ho's axiom: Every cadre of the party and the state must be a public servant.

We must pay special attention to building models for having a good personality, especially ones depicting the roles of teachers, cultural cadres, businessmen, managerial cadres, leaders, and Uncle's soldiers, who can assume the duties of a cultural cadre, a teacher, and a civic worker at the same time.

We may cite exemplary Vietnamese leaders who assumed the leadership role while carrying out their cultural and political duties such as Nguyen Trai, Le Thanh Tong, and Ho Chi Minh. We must truly set good examples in leading a healthy life and dedicating ourselves to opposing such phenomena as degeneracy, bureaucratism, corruption, having an exaggerated opinion of one's own importance, conservatism, opportunism, and flattery, which are still prevalent. It is essential to implement Uncle Ho's ethical axiom: Spend your whole life to work for the nation, the people, and the great cause.

We must strive to organize a wide, far-reaching movement to improve the quality of life in various forms of self-government among the masses. Efforts must be made to develop and transform various micro-cultural movements into macro-cultural, political, managerial, security, and national defense movements, thereby forming a large-scale cultural and development front for the renovation cause.

These are the political and cultural tasks. Our uniform political system and our cultural and economic base, which contains within them the diversified forms of our national characteristics, will help us to create an unprecedented internal strength in the history of our fatherland's development. The internal strength will create an external strength, thus forming an integrated strength. Vietnam now has a special position in the Asia-Pacific Region, the center for dynamic development in the 21st century.

These are the heavy yet glorious duties in the mass mobilization work that various mass organizations and societies and each citizen must carry out with the assistance and coordination of scientists, party organizations, and state agencies to improve the quality of life.

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